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| Manitoba | 27e  | 4e | Discours sur le Budget | 4 Mars 1965 | Duff Roblin | Premier ministre et Trésorier provincial | Progressive Conservative Party of Manitoba |

Madam Speaker: I now present my seventh Budget. Before moving that we go into Committee of Ways and Means, I wish at the same time to give the customary review of the Provincial economy over the past year.

ECONOMIC REVIEW - 1964

Record high levels of activity during 1964 were reflected in most sectors of the Manitoba economy. The 1964 personal income aggregate in Manitoba is now estimated at $1,689 million, an increase of 7 percent over 1963. Per capita personal income rose by about $100 over 1963.

I may interject here, Madam Speaker, that a lot of figures will be given this afternoon about the progress of the economy, but I think the significant figure to bear in mind is the one that I have just given -- the per capita personal income rose by about $100 over 1963 -- and when one can relate that to the population of the province, one obtains a very good picture of the progress during the year. Some $1,050 million of total income was accounted for by salary and wage earners. Farm cash income in 1964 - estimated at $300 million - increased by about 11 percent over 1963. Manitoba's gross provincial income increased 9 percent to reach a new high level of $2.25 billion.

Retail trade value in 1964 approximated $970 million - up 7 percent over 1963. The value of manufacturing shipments is estimated at $974 million for 1964 - for a 4.5 percent increase over 1963.

The gross value of agricultural output was estimated at $430 million last year which was an 11 percent rise from the 1963 level of $387 million.

Mineral output showed a further 3 percent increase over 1963 to reach a new high level of $175 million in spite of a month-long labour dispute at Thompson. Oil production in 1964 rose 15 percent over 1963.

With activity high, the labour force in Manitoba achieved virtually full employment in the year. In two months, July and September, the number of unemployed represented less than 2 percent of the labour force. Here again I stop, Madam Speaker, to interject that this too throws a very sharp light on the buoyant state of our economy. Virtually full employment in the year that has just passed.

Capital investment in 1964 maintained the high level of over a half billion dollars in new commitments. Public investment continued as the major stimulus. New residential construction value reached an estimated $78 million in 1964 which was an increase of 11 percent over 1963.

The $27 billion in total cheques cleared in the Manitoba clearing houses in 1964 was up $804 million or 3 percent over 1963. Winnipeg's clearings are the third highest in Canada by this measurement.

ECONOMIC OUTLOOK - 1965

The 1964-65 winter season has so far been the best for employment and general activity in many years. Not since 1956 has there been as high a level of sustained employment during I the winter period. When we consider the extreme weather of this season, the record is the more remarkable.

The first indications for production, sales and trade in 1965 are consistently higher than for the same period in 1964. The investment plans so far announced, the strength of employment, income and other key factors carrying over from 1964, the indications for continued good agricultural markets -- all give support to a reasoned optimism for 1965.

Although economic progress in the Province has shown consistent improvement in recent I years over past records, Manitoba must do even better in the future in view of the fact that it is one of the less-favoured provinces in terms of natural resource wealth. This will demand not only continued effective provincial effort but a national recognition of the importance of balanced regional growth throughout the land.

HUMAN RESOURCE DEVELOPMENT

The greatest part of the Provincial current budget is committed to the direct development of human resources to meet the needs and to provide for the requisite advantage of our people. The main components of this investment are education, health and welfare, with labour services. These now represent 57 percent of the current budget.

The 1958-59 human resource investment on current and capital account was $39 million. For 1965-66 the same human resource sector will total $106 million - some $67 million or 173 percent above the combined estimates for 1958-59.

Education

Education is the investment given first priority by the Government. While other services for our people such as health and welfare, together with economic development, may well be of equal importance, the Government recognizes that without the training and education of our people, all vital undertakings - both public and private -'must suffer. Technical skills, research knowledge and enlightened utilization are all increasingly urgent requirements of our modern society. Education is the first requisite in the provision of these capabilities.

In 1958-59, provisions for legislative grants for elementary and secondary schools totalled $14 million. For 1965-66 the figure will be $32 million or better than twice the commitment of 7 years ago. In that time public school enrolments have increased from 169,482 to 212,454 students or by 25.4 percent, but in secondary schools the enrolments rose from 30,647 in 1958 to 51,672 in 1964 - an increase of 68.6 percent. And I interpolate here that the increase in Grades 10 and 11 of course is even more spectacular. The new school grants and the associated divisional system made it possible to meet the challenge of this growth - 4,397 new classrooms have been built.

For 1965-66 as well, the reduction in school taxes of $10 million will have effect, bringing the basic Provincial public education contribution to some $42 million in the coming year - 3 times the 1958-59 total.

The past few years have given major emphasis to the technological requirements of our economy. Education has reflected this emphasis. In Manitoba, the combined commitments for vocational and technical training have risen from $545,000 in 1958-59 to $1.8 million for 1965-66.

The increasing importance of the University and the affiliated colleges in our educational system has been recognized by major commitments to development of facilities, staff and curricula. In 1958-59, the university operating grants from the Government were approximately $2.4 million. For 1965-66, we are estimating commitments for this purpose totalling $8.6 million to support the continuing development of the University, the affiliated colleges, Brandon College and related facilities. We have thus provided for a 258 percent increase in annual operating aid to higher education in Manitoba compared with 1958-59. Our aid has been a major factor in keeping the student cost of higher education in the Province among the lowest tuition scales in Canada. In this connection, it should be noted that provincial aid for students has increased from $69,000 in 1958-59 to $365,150 in 1965-66. It is estimated that 28 percent of the University of Manitoba enrolment are assisted by student aid programmes, including Canada Student Loans.

The Government has made significant extensions in programmes for education of the handicapped in recognition of both economic potential and the human values. The 1965-66 appropriation for the education of handicapped students totals $674,201 which includes provision for development of the School for the Deaf in Winnipeg - an increase of $556,652 or 474 percent over 1958-59.

HEALTH

The development of the Manitoba Hospital Services Plan since 1958 has been a dominant element in the Government's health programme. The number of new hospital beds added since 1958 totals 1,018. Taken together with the replacement of obsolete beds and the improvement of related service facilities, this construction programme has required investment of $24.4 million. For 1965-66 a commitment in the amount of $4.3 million provides for a construction programme which will include 190 new bed spaces, replacement for obsolete bed spaces and improved services. Currently $14 million in hospital construction is in progress and $17 million is planned for future development in the year 1965.

The cost to the average Manitoban for his hospital services has, at the same time, been kept commensurate with his ability to pay. The direct premium charge is actually now below the original premium level in 1958. The Provincial Government's support of the Hospital Insurance programme from the Consolidated Fund has risen three-fold from $3.2 million in 1958-59 to $11.4 million in 1965-66.

Mental health services have made great strides in recent years. From a commitment of $4 million in 1958-59, the estimated investment in psychiatric services in 1965-66 will have reached $8.5 million - more than a doubling of the programme in the seven years. Although there are more patients than there were, there are each year fewer confined in the mental hospitals due to the increasing success in mental health treatment.

The Health programme for 1965-66 requires $24.5 million on combined account - up some $13.8 million or 128 percent from the 1958-59 commitment of $10.7 million. Included is a substantial addition for the control and treatment of alcoholism - some $103,000 increase over 1964-65, to bring the 1965-66 figure for this undertaking to $242,024.

The Government accepted as a basic policy in 1958 a responsibility to provide support for those of our citizens who, through no fault of their own, find themselves unable to cope fully with temporary or extended economic difficulties. The principal vehicle of this policy has been developed in the Social Allowances Act.

Social allowances are now being paid to some 26,462 persons for a total estimated 1965-66 commitment of $11.4 million - up almost $9 million or 313 percent over the comparable figure in 1958-59. Mothers Allowances, aid for the disabled, special assistance to the unemployed and the many other elements of a modern social welfare programme are included in the total commitment. There are 65,000 people served by the Hospital Plan for whom no premium payment is required. Physical fitness aid, special community development programmes for Indian and Metis citizens and increasing co-operative training and rehabilitation service commitments indicate the wide and balanced range of social welfare investment in Manitoba.

One of the special programmes in this investment covers aid for the elderly citizen. Homes for the Elderly and Infirm have drawn Provincial investment totalling $3.9 million during this Government's term of office. For 1958-59, the comparable expenditure was $129,962. For 1965-66, the commitment totals $750,000 - some 477 percent above the 1958-59 total for elderly persons' housing.

The over-all social welfare investment on combined account now totals $23 million for 1965-66 - compared to $8.4 million in 1958-59.

SUMM.ARY OF HUMAN RESOURCE DEVELOPMENT

The combined investment of $105.8 million in the 1965-66 Budget devoted to human re­source development - 40 percent of the Budget - is this Government's firm commitment to its first responsibility - the people of Manitoba. The many-sided programmes of Education, Health, Hospital- Services and Social Welfare have been supplemented by expanded Labour services, including a special research undertaking on manpower requirements and development objectives. These direct investments in people are the heart of our budget priorities. They underlie the total development effort in Manitoba. They are the base upon which our economic investments must be considered.

ECONOMIC RESOURCES DEVELOPMENT

For the period 1958-59 through 1965-66, the Government will have made investment on current and capital account of some $305.2 million for economic resource development undertakings. That is an enormous sum, Madam Chairman, if I may so -- $905 million. This involves some $124.2 million for 1965-66 or 47 percent greater estimated expenditure than the 1958-59 total of $84.7 million directed towards economic resource development.

AGRICULTURE AND CONSERVATION

Since 1958-59, when the agricultural programmes of the Province required a commitment of $2.1 million, exclusive of flood control and conservation undertakings, the combined current and capital expenditures for agriculture have increased by over 300 percent. The $12.4 million commitment for the Red River Floodway and the Assiniboine River flood control projects, including the Shellmouth Dam and the Portage Diversion will bring to $25 million the 1965-66 current and capital investment through the Department of Agriculture and Conservation.

Services have been developed to enable the farm community in Manitoba to adjust to new problems and new market opportunities. The Manitoba Agricultural Credit Corporation was established in 1959 to meet the needs of farmers - particularly young farmers - who would otherwise be unable to enter farm operations or to expand existing farm facilities. Over $27 million loan capital -- and I recall how often we were told this was unnecessary to do in Mani­toba -- over 27 million dollars of loan capital has since been made available in long term credit to more than 2,300 persons. The excellent repayment record reflects credit on the soundness of the programme and on the borrowers who have used its facilities.

The Manitoba Crop Insurance programme also was established in 1959 to enable the agricultural community to modify the dislocations that can result from crop hazards. Six test areas in the Province now cover 35 percent of all farmers in Manitoba. In the coming year, subject to federal agreement, the programme will be extended to cover 70 percent of the farmers in the Province. In 1964, 6,141 contracts were written -- incidentally about half the farmers eligible take this -- to a total liability of $13.6 million. The programme is on a sound financial basis.

The University of Manitoba has since 1958-59, received agricultural research grants to an aggregate of $3.7 million. These grants now total $575,000 per annum. From 1958-59 to date, capital grants for related facilities at the University have totalled $5.9 million. Over $306,000 has been provided since 1958-59 to aid deserving students who wished to study in agriculture at the University.

Provincial capital assistance has included funds for Agricultural Societies totalling $441,000 since 1958-59. Other major support for agricultural areas has come through water resource development. Under the Manitoba Water Supply Board Act, a total of 62 areas in the Province have been declared for water supply projects with aid requests being received from 52 of these areas. Water supply plants were constructed or brought into use during 1964 at Winkler, Pilot Mound, Rossburn, Manitou, Ste. Rose, Gilbert Plains, Russell, Kelwood and Strathc lair.

Expanded programmes under the Canada-Manitoba ARDA Agreement have been under-taken to further the overall developments of both the agricultural community and the general resources of our rural areas. Since 1962, $3.1 million has been spent in Manitoba under the ARDA programme and the 1965-66 estimates call for $2 million new expenditure.

There is one recent development in agriculture that is causing farmers and the government some concern. Recent trends in wheat prices have not been encouraging. For this reason and for the future problems that can be foreseen in international wheat trading, the Government has requested the Federal Administration to convene a meeting on this subject. While we do not recommend direct subsidies in present circumstances there are other methods of helping the, producer to face subsidized international competition and these must be studied.

NATURAL RESOURCES

The overall activities of mineral, forest, fishery, wildlife and land resource development, including related recreational programmes and research undertakings, have required Provincial investment of $33 million since 1958-59. Commitment for 1965-66 totalling $7.8 million is some $4 million or 102 percent above the 1958-59 appropriation.

Stimulation of mining and oil exploration has resulted in several significant discoveries and investigations in 1964. Mining discoveries included the Birchtree nickel deposit near Thompson and the Anderson Lake copper deposit near Snow Lake. The Mukasew (Fox) Lake copper-zinc deposit near Lynn Lake was investigated for production. Gypsum production began at the Silver Plains mine south of Winnipeg. It is anticipated that a high-quality face-brick plant will be constructed in the Province in 1965. The number of mining claims staked in 1964 almost doubled that of 1963. New programmes are planned for 1965 to stimulate the development of mining activities in the Province - a mineral investigation programme, a change in the royalty tax provision applicable to new mines and a mining road access policy.

The oil shales of the Manitoba excarpment received notable investigation by three companies in 1964. The extension of the West Routledge and Daly Fields and the implementation of the North Virden-Scallion waterflood programme contributed to the significant increase in oil production in the Province. Twice as many oil wells were drilled in 1964 as in the previous year. A new programme is planned for 1965 which will give additional incentive to oil drilling in zones below presently producing levels.

Programmes are underway to increase the value of fish production in Manitoba. Research has been directed towards developing efficient equipment for use in a large scale rough fish removal programme. A forty-five foot research trawler was launched at Riverton in the fall and it will be used this coming spring and through-out the open water season. Construction will begin in 1965 on a new fish hatchery and biological research station at Grand Rapids.

In recent years there has been a spectacular development in the recreational use of the Province's lakes, streams, fields and forests. More than 1.4 million tourist entries to Manitoba's Provincial Park system were recorded in 1964 - a considerable number were by visi­tors from other provinces and the U.S.A. The growth in camping was nearly 20 percent over 1963 with over 30,000 permits issued, which gives you some idea of the pressure on resource development.

POWERS AND TELEPHONES

Power and telephone facilities are basic supports of domestic, commercial and industrial activities in the Province. Support for the development of these services has amounted to over $390 million in Provincial capital investment since 1958-59. And I pause there to in­terject that when some of the people in the House and elsewhere criticize the debt of the province, let them remember that 390 million of that debt money is invested in telephones and hydro, and a better investment would be hard to find. And here is an interesting thought -- the largest of the projects, the Grand Rapids development, is now coming to completion at a saving of about $20 million from the cost originally estimated. I think that reflects some credit on the management of hydro.

Over the period 1958-59 through 1965-66, capital investment in power and distributive facilities will have involved $290 million.

Capital expenditures of over $100 million since 1958-59 have kept the Manitoba Telephone System abreast of the latest communications developments and have led to the installation of 99,000 new telephones in the Province over this period. Some 340,000 telephones will be in use in the Province by March, 1965 -- dial telephones now comprise 87 percent of this total. In 1965-66, special emphasis will be placed on up-grading rural multi-party service in the Province.

HIGHWAYS

There are now ever 364,000 motor vehicles registered in Manitoba, with the total increasing by about 15,500 vehicles a year. In. addition, an estimated 350,000 to 400,000 tourist vehicles use the Province's roads and highways each year. The Provincial highway programme has kept pace with this demand. Since 1958-59, net Provincial investment of $265 million -- let me repeat that -- net provincial investment of 265 million has been directed towards the construction and maintenance of roads in the Province. In the seven years some 1,755 miles have been added to the Provincial Highway System. It is anticipated that $39 million will be directed towards construction and maintenance of road mileage in the Province in 1965-66.

Traffice studies and counts have indicated that the volume of traffic on connecting routes throughout the Province is becoming so great that future costs of construction and maintenance may well be beyond the financial capacities of the municipalities. Some 4,000 miles of such connecting routes will therefore be transferred to the Province and will become Provincially-supported roads. This follows the recommendations of the Michener Commission, giving a clear-cut division of responsibility between the Province and the municipalities.

Among major highway projects scheduled are the construction of a four-lane divided section of the Trans Canada Highway from Headingly to the junction of Provincial Highway No. 4 west of Portage la Prairie, the re-locating and improving of Highway No. 59 through the Metropolitan area, major work on the Perimeter Road system plus a substantial province-wide programme of further highway construction and betterment.

While we are by no means satisfied with the record in this respect, Manitoba continues to have fewer highway deaths per 100 miles driven than is the experience at the national level.

OTHER PUBLIC WORKS

In the coming fiscal year we will be commencing development of:

* three new technical schools at The Pas, Brandon and Winnipeg, $1.8 million.
* conversion of the Old Teachers' College at Tuxedo to a school for deaf children - $300,000.
* construction of a new Justice Building for the Greater Winnipeg area, $1 million.
* design of anew juvenlle detention centre and family court, $1. 5 million.

There is also the construction of the new Teachers' College on the University campus which together with the other planned University capital programme will mean a total capital expenditure at that institution of $3 million.

OVER-ALL CAPITAL DEVELOPMENT PROGRAMME

Highways, public buildings and related undertakings form only a part of a much broader capital programme. Such projects as the Red River Floodway, the Portage Diversion, the Shellmouth Dam and all of the other various flood control schemes are part of the capital programme. So are the utility projects of Manitoba Hydro and the Telephone System.

The funds advanced to farm and business enterprise through the Agricultural Credit Corporation and the Industrial Development Fund are part of this capital development. Urban renewal assistance, capital grants to hospitals and university building programmes are other aspects of the asset development and employment creation by the Province.

In total, since 1958-59, this Government, its agencies and the major utilities will have committed some $870 million in capital expenditures. This averages to a capital programme of some $110 million annually. The range of investment touches nearly every aspect of the Provincial economy from water supply to parks and picnic grounds; from new business development to family farm preservation; from rehabilitation hospitals to homes for the elderly; and from trade schools to university buildings. And I might interpolate here, Madam Speaker, that 30 percent of the capital investment put in place in these recent years in the Province of Manitoba has been public investment of the kind that I have just mentioned. Without it, one hesitates to consider what our economic position would have been like.

STIMULANTS FOR GROWTH

In 1964, growth in industry and industrial employment surpassed the COMEF target for this sector of our economy. Nevertheless, Government has a special responsibility in this Province in assisting industrial growth, for a particular reason. The nature of the industrial complex of Manitoba is such that 80 percent of our industry employs fewer than 50 people per plant. It is, in modern terms, a complex of small industries. Government has a role to play in supplying to small industry those tools and techniques of growth which larger-scale industry can supply for itself.

This is why I am proposing a large increase in the budget of the Department of Industry and Commerce in 1965-66. The Research Council, the Design Institute, the Export Corporation and the Product Development Fund will all be employed to provide research and development facilities to assist small industry and business in improving their marketing and producing effectiveness. The In-plan Training Programme is being enlarged to increase the pool of skilled workers. This, along with the educational up-grading through technical schools and technological institutes, will provide new opportunities for our working people.

In addition to all this, the Manitoba Development Fund will continue to provide loan capi­tal to worthy enterprises.

Now I make some remarks about various departmental services, Madam Speaker.

Attorney General

Provincial expenditure for the provision of correctional and rehabilitation services and the continuing administration of justice in the Province during the period 1958-59 to 1965-66 has amounted to $38 million - almost $7 million of this total will be expended in 1965-66.

Construction will begin in the late summer of 1965 on the new $1 million Justice Building which will consolidate the magistrates' courts for the Winnipeg area. Design work also will begin on a new juvenile detention centre and family court building,

Municipal Affairs

A Budget and Finance Branch will be established by the Province in 1965 to look after budgeting, financial affairs and auditing of Municipal Corporations within the Province and the functions of the Municipal Services Branch will be expanded to include research and municipal data processing operations.

Provision is being made to extend the Provincial assessment programme in 1965 to cover 7 additional municipal corporations -- bringing the total to 195 municipal corporations and 17 Local Government Districts.

Provincial Secretary

The major budgetary concern of the Province in this area continues to be planning, co-ordination, financing and implementation of the projects to mark the Manitoba and Canada Centennials. The major projects will be the development of an integrated Cultural Centre in Winnipeg, an auditorium in Brandon, a pavilion for the International Peace Gardens and three provincial parks. Local parks and recreational facilities will also be improved and expanded as part of the commemoration programme.

It will be recalled that some years ago the Legislature authorized the establishment of a War and Post-War Reserve. Under the present administration, the body of this reserve has been maintained at a level that now yields an annual interest earning of some $600,000.

The Government has decided to apply this income to the Centennial Projects financing rather than seek further capital appropriations. Members will have noted that the $950,000 for per capita grants to municipalities for this purpose has been included in the current budget.

PROVINCIAL SUPPORT FOR LOCAL GOVERNMENT

For every dollar in current revenue, the Province directs 60 cents to the support and development of local government in Manitoba. In aggregate, the 1965-66 total for direct and indirect aid to local government will reach almost $111 million as compared to $42 million in an almost three-fold increase.

Following from the findings of the Michener Commission, the Government will also be making available greatly expanded grants-in-lieu of taxes on Provincial property - some $1.5 million will be directed to the payment of such grants in the year ahead of which $835,240 in total will go to the City of Winnipeg. We have also assumed from municipalities an additional $4 million annual responsibility for local roads. I think that $4 million figure is a misprint, Madam Speaker. It is something closer to seven. Metropolitan Winnipeg will benefit by increased road grants of $1 million. Additional drainage responsibilities will be taken over in rural areas.

Other major components of the local government support programme include aid to education of some $32.0 million for this coming year - more than double the 1958-59 figure for school grants. The $10 million school tax rebate is additional aid, bringing the educational assistance -- direct and indirect -- to over $42 million in the estimates for 1965-66.

The drainage aid for rural localities, including the new responsibilities mentioned, will total $10.6 million for 1965-66. Over-all highway and road assistance to local bodies, exclusive of the new assumption of responsibilities by the Province, will require a $7 million commitment in 1965-66.

While we do not attempt to calculate the over-all effect on local government of the Manitoba Hospital Services Plan, the Plan has assumed responsibilities for Municipal Hospitals - and I might say also for municipalities -- once a substantial charge on local taxpayers.

Social allowances and other provincial welfare assistance have also been effective where formerly municipal authorities were left to cope with growing welfare problems. In 1958-59 Provincial aid for social welfare totalled $7 million. For next year we are providing for some $23 million in support of a greatly broadened and strengthened social welfare programme.

In direct aid, the Government of Manitoba will support local government development to the extent of $68 million in 1965-66. This is more than twice the $33 million for direct aid in 1958-59. The indirect support which nonetheless represents relief of local financial burden now totals $43 million for the 1965-66 programme, as compared to $9.5 million in this indirect aid provided in 1958-59.

We will continue to provide up-graded services, better support, and a constant attention to the needs of local government in Manitoba. The increase in aid in 1965-66 alone amounts to $24 million. It is in this way that we see for the year ahead the impact of the tax shift from the local taxpayer to the Provincial Treasury.

FINANCIAL REVIEW

PUBLIC DEBT

Since a year ago there has been an increase in our net public debt in line with out growing capital investment but of much smaller proportions that would have been the case had such a substantial amount of such capital investment not been charged to current account. While this increase is higher than the comparative figure for last year, the difference is due largely to the timing of borrowings in relation to the year end, as the borrowing programme was essentially of the same general magnitude.

Our loan policies continue to receive the full support of the money market and the credit of this Province remains very close to the top among the provinces of Canada, despite the greater economic wealth that some others may enjoy.

The interest on our debt --and we always take some interest in this matter-- will again constitute but a relatively minor charge on our revenues. In 1965-66 it will take only $5.9 million plus $758,000 discount amortization, out of a total revenue of over $185 million for this purpose. Twenty years ago like charges were $4.9 million and revenue available was but $22 million. Our net debt today could be repaid with less than the revenue of one year. These are the proper measure of our financial capabilities.

Sinking Fund and Debt Retirement

Sinking fund requirements continue to be met as provided under the Retirement of Debt Act. This requires that 3 percent of the principal amount be provided annually on all debt of over one year maturity, except where serial repayment of principal is provided for. This, on a 4 percent earning basis, retires an issue in about 22 years. The 1964 earning basis of the sinking fund was substantially higher at 4.63 percent and will result in retirement at a more rapid rate.

In accordance with established practices and the requirements of their statute, the Manitoba Hydro Electric Board and the Manitoba Telephone System have provided sinking funds for debt retirement of not less than 1 percent of their outstanding debt at the close of the previous fiscal year, plus earnings at 4 percent, again less than actual earnings at present rates.

For 1965-66, $7,307,143 is being provided for sinking funds, including our debt on ac­count of the utilities held in the Province's name. Serial retirement of $1.2 million is also required.

At the close of the last calendar year the Province held against the retirement of direct Provincial debt sinking funds of $61,250,288.

Guarantees

Provincial guarantees issued in the past year have been restricted to those agencies of the Crown which have a distinct existence in fact as well as law, and to the University of Manitoba. These agencies are operated as separate entities and their costs do not constitute a charge on the Consolidated Fund. I think I will repeat that sentence because we are always being attacked as if they were part of the Consolidated Fund. The guaranteed debt for Crown agencies, etc. does not constitute a charge on the Consolidated Fund.

REVENUE AND EXPENDITURE 1964-65

Until the books of the Province are closed after the end of the fiscal year it is not possible to give a final analysis of the results of operation in that period. On the basis of known experience, we can, however, make some reasonable estimates od the final position.

Revenue

At the time of the consideration of the Budget a year ago we estimated total revenue for the year at $151,761,000. It is clear that this will be substantially exceeded and will likely equal $163,000,000 after taking into account changes made at the Special Session.

The only significant decrease was in Income Tax for Corporations, which was off by $1,957,000 from the expected level.

Expenditure

Present indications are that there will be a surplus of about $10.5 million from the previous year. In accordance with the appropriate section of The Treasury Act this will be carried forward and used for 1965-66 current purposes. Let me repeat that because it is very hard to get this idea into the heads of some honourable gentlemen opposite. This will be carried forward and used for 1965 current purposes. This closely matches the carry-forward from the previous year into 1964-65, of $11.2 million. This practice has the advantage of stabilizing our revenues from year to year. And I will repeat that sentence again. This practice has the advantage of stabilizing our revenues from year to year.

Expenditures were about $1 million over the amount originally estimated.

REVENUE AND EXPENDITURE - 1965-66

Revenue

After a year of high economic activity such as we have just experienced, it is not easy to estimate the probable results for months ahead. However, as I have noted earlier, we look for a year of continued prosperity, although there are undoubtedly factors present in the international balance of payments situation that could have some affect on these prospects. Our estimates are based on the assumption of continued activity and upon our accumulated knowledge of the effects of economic conditions upon our various revenue sources.

For the fiscal year ending March 31, 1966, we are forecasting a total revenue on current account of $185,477,152.

The increase in gasoline tax is due to natural growth and improved collection methods as well as to the higher rates effective last October. The same reasons apply in the case of motive fuel revenue.

The tobacco tax increase is due entirely to higher rates. The individual income tax increase is attributable to the increased share by 3 percent of the federal tax over the previous year as well as a higher base. Equalization and guarantee reflect this same position. Succession Duties are largely unpredictable but reflect the increased share of 25 percent of the total. Part I of The Revenue Act covers the revenue obtained from taxation of electric power, telephones, natural gas and steam. Liquor control, mining royalties, and automobile and drivers' licences all reflect the rate changes as well as growth, although in the latter case the fact that 1964-65 was not a licence year for drivers accounts for a good part of the increase.

The drop in Corporation Income Tax receipts is due to an over-estimate in 1964-65 more than made up by higher equalization payments. School fees will be reduced for the forthcoming year by elimination of the Grade XI examination fee. Normal School fees will become part of the University of Manitoba revenue in the coming year.

Expenditure

My earlier remarks dealt with some aspects of departmental expenditures and the Ministers will be discussing these proposals in detail in Committee of Supply. Total expenditures on current account will be $185,238, 167 - an increase of $33,635,982 over the Main Estimates of last year. Of this increase about $24 million is due to the new programmes plus current growth, to shift the burden of taxation from the local taxpayer to the broad provincial tax base.

Once again I am able to report an increased part of our current expenditure is devoted to capital purposes. Last year over $13 million was allocated. This year $18,158,875 of capital works are so charged and will thus not become a part of our debt. This is the highest amount so voted in the Province's history.

On the basis of these estimates, there will be a surplus for the coming year of $238,985.

CAPITAL PROGRAMME

By careful management, I have been able to restrict our loan programme for direct provincial purposes. We will be seeking additional authority for provincial requirements for the Assiniboine River Developments at Portage and Shellmouth, for Agricultural Research and for the highway programme. There will also be requirements for the Telephone System, the Water Supply Board, the University and for the new Liquor Control Commission Ware-house. The Agricultural Credit Corporation will be needing additional funds to carry their programme forward.

I cannot emphasize too often that while we must always endeavor to exercise prudence and restraint in the accumulation of debt, we regard this, properly applied, not as a liability but as an investment. Our progress demands many things that can only be obtained in this way. It is only thus that we can fulfill our role as a partner in Manitoba's economy.

DOMINION-PROVINCIAL RELATIONS

At the end of March 1964, the plenary session of the Dominion-Provincial Conference reconvened in Quebec to continue the examination of the mutual problems of Confederation which have been so prominently in our minds in recent years.

There were two main results of this meeting. A full study in depth of our fiscal relationships was agreed upon and the Federal-Provincial Tax Structure Committee was formed. Secondly, and of more immediate importance, was the announcement following the Conference, that Canada was prepared to increase the provincial share of the individual income tax from 19 percent of the federal tax for 1965-66 to 21 percent: and from 20 percent for 1966-67 to 24 percent. In 1965-66 the increase of 2 percent in the provincial rate is equal to about $2.2 million on the basis of present calculations.

There was a further development which is not only of important fiscal interest but may have long-term effects on the future form of our inter-governmental relationships, and I refer to the examination of the whole field of conditional grants and shared-cost programmes. These have been of increasing importance in recent years and while they have had our continuing attention, some of the fundamental problems have yet to be resolved. While it is obvious that the final solutions must await the report of the Tax Structure Committee, at Quebec's request the matter was referred for immediate consideration.

During the Summer, discussions were held in Ottawa, in which this Province participated, with a view to developing some interim solution that would meet the desires of any province for a much greater degree of self-determination in these joint programmes. I should make it quite clear that our position was, and remains, that while Manitoba has not always been happy with the form of these arrangements we have recognized their value and are interested in their retention in a form that will make for greater efficiency and that will provide broader room for provincial activity and initiative.

The results of these discussions are incorporated in a bill which was brought before Parliament in December. Briefly, it provides for an interim solution referred to generally as "contracting out". It would seem likely that this will have interest only for Quebec in nearly all cases. Under the proposed procedure, programmes will be divided into two main groups. In the case of those of particular and continuing significance, such as Hospital Insurance, Old Age Assistance, Unemployment Assistance, Health Grants, etc., a province that elects to "contract out" will be compensated by an additional provincial abatement of the federal personal income tax which it may then apply on its own behalf. In the case of more specialized programmes, hospital construction, resource roads, forestry agreements and the like coming under this heading, there will be an adjustment by way of special cash payments.

Due to the difficulties of directly relating additional tax abatements to the actual costs involved in the transfer of responsibility, adjustment of the equalization payments may often be required. A prime condition of "contracting out" agreements will be the continuation of the programme by the province concerned on substantially the same basis as now exists during the interim period.

The concept of "contracting out" with tax abatement or cash compensation is a recent development with application so far in the field of university grants and in the Province of Quebec only. Manitoba views this new proposal with mixed feelings. We recognize particularly its threat to the continuing idea of a national standard of services and note its administrative difficulties. We shall probably not contract out ourselves and do not recommend it as a general proposition to the people of this Province. But it may, perhaps, be one practical way of easing areas of current federal-provincial friction and of reconciling the conflicting views on areas of concurrent interest and jurisdiction between the government at the center and the provinces. Through this idea of contracting out, we may find ourselves able to meet the rather special requirements of a province like Quebec, through options open to all, even though most may have no wish nor interest in invoking them. For this reason, I judge the experiment worth the considerable risks that are attached to it and hope that in it may perhaps be the seeds of an effective formula that will strengthen rather than weaken the bonds of Confederation.

I remarked earlier on our success last April in persuading the Government of Canada of the urgency of our needs, with the result that a further adjustment in our financial formula for the last two years of the present agreement was forthcoming.

The change is certainly acceptable and we welcome it. But it is by no means sufficient to meet the growing demands for provincial and local services to which I have referred. Manitoba appreciates that there are practical limits to the Federal Government's ability to transfer additional revenue sources to provincial control and at the same time make the necessary adjustments in equalization. But we do not believe this point has yet been reached or has been sufficiently considered in relation to the pressures of relative demands for public services. Pending the findings of the Tax Structure Committee and their translation into real financial terms, we will continue to press for a division of tax resources on a basis more consistent with the present and developing level of public responsibilities. Indeed, I have asked the Prime Minister for an early conference on this point.

With, the upsurge in the economy in the past year, we can anticipate more fruitful returns from our financial arrangements with Canada. In the year ahead, with the increased rate of return in individual income tax and with the buoyancy of the economy, we anticipate an increase of $6.3 million over the revised estimate for 1964-65. This is after taking in to account the reduction of 16 percent in the special provincial surcharge on individual incomes now benefitting all Manitoba income taxpayers.

TAX POLICY

The limits of fiscal policy in the provincial sphere are fairly well defined by our constitutional powers. Provinces, lacking the broader financial resources and the control of money and credit, must to the best of their abilities match their expenditures to the available revenues.

With ever-widening demands for public services always pressing upon their financial judgements, provincial and municipal governments, more often than not, have been faced with some serious difficulties in implementing their policies and meeting the demands placed upon them. Unfortunately, from our point of view, as the Economic Council of Canada reports, the currently rising Gross National Product is reflected more in federal tax returns than in provincial or municipal. To the extent the provinces enjoy a junior partnership in the personal and corporation income taxes they do benefit, but in many revenue sources the response to the growing Gross National Product is less pronounced.

For a number of years this Province has had, and still has, a tax system which is among the most modest in Canada in terms of its impact upon the taxpayer. Some, of course, profess to believe that taxes should be lower, apparently without any regard to the proper functions and responsibilities of government in our modern society. This negative attitude was a main factor in retarding Manitoba's growth in the past and our people have learned to reject it. Our philosophy of government is that it has large and continuing responsibilities for human betterment and for provincial economic investment and development. Applied with due care to priorities, balance and pace, our progress reflects this policy and remains with-in the reasonable tax capacity of our economy.

Despite the views still held by a few, I am satisfied that the majority of our people approve of the concept of government as a partnership, working with people in initiative and enterprise in building our future. This is directly opposed to the concept of government as a caretaker.

There is, I believe, a real sense of accomplishment in the fact that we have been able, to so successfully bring these policies to reality in the past eight years while maintaining the relatively modest tax base we enjoy.

If there is any doubt as to our favorable position the following statement of per capita all-inclusive tax costs to the citizens of Manitoba as compared with other provinces is of interest. This table shows the per capita tax costs of government in Manitoba by adding to provincial taxes the municipal and school taxes incurred.

I have to report, however, that the Province of Alberta is below us, but it doesn’t make me feel too badly because yesterday I saw that the oil and gas revenues for the Province of Alberta came in this year at $188 million more than all the taxes raised in the entire province of Manitoba --from that one natural resource. They've got a provincial budget of $500 million, and $188 million of it comes from oil and gas, which the good Lord put there, and that's more than all the taxes we raise in this province of ours.

And here's an interesting point that I want to drive home. In this our relative position is unchanged since 1958 except that for obvious reasons, Alberta has now the lowest per capita tax burden. Unchanged since 1958 in our relative position.

It was in line with this policy of tax containment that we brought down some important financial measures at the Special Session of the Legislature last August. Honourable Members will recall that at that time the Government was presented with a recommendation by the Michener Commission for a retail sales tax of general application. While we valued the advice and gave it lengthy consideration, there were a number of reasons which brought us to the consideration of alternative measures. And this led to the conclusion that a retail sales tax was not in the public interest at that time.

Basically we rejected the imposition of a new form of tax because our whole fiscal structure was and is under detailed examination by several federal and provincial Royal Commissions and by the Federal and Provincial Governments through the Tax Structure Committee. In such a time of flux new departures of such importance as a retail sales tax of general application were not considered wise. With these reports our present tax system, federal and provincial, might prove to be obsolete, depending on the results of the studies to which I have referred and the actions taken to implement them.

We believed then, and we continue to hold that view now that the impact of the changes made at the Special Session on the people and the economy of this province is much to be preferred to that of a retail sales tax of general application affecting nearly the whole gamut of our consumption.

The primary aim of this operation was not to raise revenue for provincial expenditures as such but to enable the massive transfer and shift of the tax burden from the local taxpayer to the broader provincial tax base. These shifts include a $10 million school tax rebate by which 64 percent of all properties will have their school taxes cut in half and almost all the others will have their taxes reduced by $50.00; a provincial road and drainage system to effect a clear-cut division of responsibility between the province and the municipalities at a cost to the Province of some $6 to $7 million a year; a six-fold increase of provincial grants-in-lieu of taxes, whereby for instance Winnipeg City stands to gain about $650,000 yearly; and an increase .of some $1 million in our support to the Metro street system. These and other improvements should help municipalities to hold the tax line.

The year 1965 will see the working out of these changes which we believe will provide a more equitable distribution of tax responsibility and reduce the tax pressure on local government taxpayers.

TAX REDUCTIONS

Now I come to an interesting part of this address which is entitled Tax Reductions.

You will be asked to repeal Part II of The Revenue Act - the Land Transfer Tax. The Government undertook not to proclaim Part II until further studies had been made. After full consideration of all the circumstances, and I interpolate one of those was the 11 percent federal sales tax on construction materials for homes, etc., it has been decided that the tax in its present form should not be proceeded with. Instead, consideration is being given to revising the schedule of land title fees, which revision will have the effect of increasing revenue by a small fraction --I emphasize that-- of the revenue being given up.

This, added to the reduction of 16 percent in the personal income tax surcharge which is effective for the present tax year, 1965, provides a substantial measure of relief to the Manitoba taxpayer.

Other tax changes include an amendment to the Income Tax Act (Manitoba) 1962, to provide for a tax credit for corporations having foreign investment income, to match that now provided for individuals. This is necessary to meet the credits now allowed under federal law and is being recommended to the House as part of the standard income tax procedure under which our collector agreement operates. It is also our intention to provide direct exemption from tax on motive fuel presently used by farmers, etc. This at present bears a 1¢ levy subject to refund. A change will also be made in the school tax rebate by eliminating the December 31 deadline for tax payment as a qualification for grant purposes.

CONCLUSION

And now I come to the last page. I have presented to you what I think you can all agree is a picture of a very satisfactory year. In 1964 we attained, and in some cases even exceeded, the development targets at which we had aimed and I am optimistic about the future. We have in Manitoba a situation that is very close indeed to full employment and the wide range of effective government programmes designed to this end have been important factors in our movement forward.

But if our present situation and prospects are pleasing, there can be no room for complacency. We have not yet reached that rate of growth which will enable us to keep pace with the forward progress of the nation as a whole. In all reality we must accept the need to work a bit harder to achieve what may come more easily to those more heavily endowed.

Our task in the future must not only be to work hard toward our own destiny but in this co-operate in every way with the other Governments of Canada in developing and implementing effective policies that will give this country and this Province the balanced regional growth so necessary for full national development.

It is with such an opportunity and challenge that this budget is concerned. Success will not come easily and will require the full and continuing energy and co-operation of all sectors of our economy if our goals are to be realized. To this objective we will continue to devote our best efforts.

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