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| ***Province*** | ***Législature*** | ***Session*** | ***Type de discours*** | ***Date du discours*** | ***Locuteur*** | ***Fonction du locuteur*** | ***Parti politique*** |
| Manitoba | 28e  | 1re  | Discours sur le Budget | 6 Février 1967 | Gurney Evans | Trésorier provincial | Progressive Conservative Party of Manitoba |

Mr. Speaker, this is the first occasion on which I have had the privilege of presenting the financial requirements for continuing the development of Manitoba. I approach these responsibilities with a full appreciation of the economic and financial conditions in which this year's Budget has had to be prepared. But every time of challenge offers opportunity to match. This is certainly true for this Centennial period. In Manitoba, opportunities abound for growth and for improvement in the quality of life for our people.

The Government's programs and the economy of the Province interact upon each other. The federal-provincial fiscal conferences of recent months have also been determining factors in the preparation of this Budget.

ECONOMIC SITUATION AND OUTLOOK

The record of economic development for 1966 was one of the best in the history of the Province.

In agriculture, production value climbed to a new high of $507 million - an increase of 9 percent over the previous year and the highest level ever reached in Manitoba.

Gross provincial income reached a level of $2.6 billion or 7 percent over the previous high recorded in 1965. Personal incomes rose in aggregate to nearly $2 billion - 7 percent over 1965. Labour income rose to $1.2 billion - an increase of 9 percent.

Nearly 98 percent of the labour force was gainfully employed on the average over the year.

Virtually full employment was recorded during the months of June through to the end of September. Manitoba's employment experience was better than for the nation as a whole over the entire annual period.

The value of manufacturing shipments established a new record of $947 million - an increase of 6 percent over 1965. On the former Dominion Bureau of Statistics basis of measurement this would have been over $1 billion.

New capital investment in Manitoba approached $627 million in 1966 - an advance of 12 percent over 1965. The manufacturing sector drew a major share of this new capital commitment, recording $64 million for an increase of 44 percent. Public investments were again a principal factor in capital expansion - in particular, revenue yielding investments by the Manitoba Hydro, the Manitoba Telephone System, the Agricultural Credit Corporation, the Manitoba Development Fund and the Water Supply Board. Other major public investments contributed as well - including the Red River Floodway, the various Centennial projects and other major public works, such as the flood control and water conservation projects on the Assiniboine River.

In the early summer of 1965, the Government of Canada announced a program of restraint on federal building and construction projects to help offset inflation. In the 1966 Federal Budget, further restraints on profits and investment were introduced. Other federal measures followed, including rises in the Central Bank rate and in the cost of mortgage financing, and reductions in building incentives under the national housing policies.

In some regions doubtless the federal action was appropriate. Manitoba was not one of those regions. At our stage of growth, restraint on productive investment could only result in a continuation of underdevelopment. Particularly difficult for Manitoba were the reductions in development incentives as these tend to freeze progress in developing areas.

Mineral production did not reach the high levels originally anticipated due to shortages of labour at critical stages of production. The value of mineral production will reach $182 million or about the same as last year.

Labour shortages have been evident in other industries as well. The Province is searching for workers. Programs to train and upgrade our own labour force have been given priority.

Residential housing starts were down 8 percent from 1965 to a total of 5,490 units. Federal policies to restrain price increases have played a major role in this slowdown. I hope that the steps taken to modernize the Canadian banking system will make new mortgage funds available to home buyers and to builders. We also hope that the federal govern­ment's Central Mortgage and Housing Corporation will be making changes helpful to housing in Manitoba.

Retails sales have advanced by about 6 percent in the past year. With the Centennial celebrations, the Pan American Games and other attractions ahead, 1967 should be a record year for retail trade. Now running at $1.1 billion annually, sales value has been rising on an average of over 5 percent per annum since 1962.

The estimated return from tourist activity in Manitoba - was some $55 million in 1966 - up $3.3 million or 6 percent. For 1967, we may confidently expect a record increase.

The Province has had, with its sister provinces in the region, a continuing concern with the trends in population. Transfer of people to larger economic bases in other provinces has always been a factor in periods of high economic activity. This is a feature of recent experience in the mid-western United States as well and this situation is one of the important factors behind Manitoba's insistent demand for federal economic and fiscal policies that help rather than hinder the growth of this region. We cannot maximize our potential except within the context of favourable national policies for our region.

BUDGET PRIORITIES

There will always be limits to what can be done. Governments in Canada are now committing annually nearly one-third of the Gross National Product. There is real concern for the problems which can arise if the public sector uses up too much of the national product. I do not believe there is any arbitrary line above or below which the public sector should be either constrained or given freer rein, but I do hold that there is a particular responsibility for budgets to remain within limits and to reflect the real priorities.

We have held consistently that our Budget reflects the real priorities before the Province - education and manpower training. Basic education and the upgrading of skills and knowledge for our citizens are the keys to continuing economic and social progress in Manitoba. They are also priority needs before the nation.

PRIORITY OF REGIONAL DEVEWPMENT NEEDS

Many of the concerns I have raised at this time are well beyond the ability of provinces to resolve. We in Manitoba are citizens of a province of Canada: we are a part of an economic region within the wider national economy.

Much of our concern is for recognition by the federal government of the need - in the national interest - for sound, balanced regional development. Only through the full participation of all regions in Canada's economic growth can we hope to fulfill our hopes for the second century of nationhood.

The real concern of Government is the well-being of people. This involves implementation of progressive social and economic measures, including education, health, welfare and related services. It involves programs aimed at encouraging communities in which rising generations can plan their careers and live their lives in security and confidence and with opportunity to find the kind of work near at hand that they like to do.

In recognition of these needs, Canadians believe there should be equality of social and economic conditions throughout the nation. By far the best way to achieve this balance is to equalize regional capacities to the maximum extent. Regional development is the basis of true economic and social balance in Canada. The federal government has, thus far, failed to put forward any adequate plan to offset the continuing disparities among the regions of Canada.

DEVELOPMENT INITIATIVE AND OPPORTUNITY

We have before us an opportunity to achieve unexcelled progress in our Province. In particular, the Nelson River development, the new paper mill project and other forest developments, the new mining and smelter operations - all will pave the way to greater fulfillment for the northern part of Manitoba.

Nor has the Government failed to support established growth in the southern areas. Major break-throughs in the chemical industry have been made: chemical fertilizer and estrogen manufacture have become important new industrial enterprises. Other chemical manufacturing and development enterprises are anticipated. Multi-million dollar investment has been taking place for the manufacture of materials required to carry forward the Nelson River project and other major developments.

The Report of the Committee on Manitoba's Economic Future set the outline of this foundation building. The principal targets established for manufacturing have been met and surpassed. This progress has continued toward economic equality throughout Manitoba.

The Manitoba Development Authority has the task of co-ordinating government programs to ensure that Manitoba people and industries derive the maximum benefit from developments in all parts of the Province.

There are other areas as well which will command our energies. We have by no means accomplished all that we have set out to do in respect of providing opportunities for gainful employment for residents in the marginal areas of Manitoba's economy. We will press forward our plans for manpower development with every resource at our command.

We have special concern in respect to our agricultural industry. Only 6,000 farmers out of 40,000 in the Province gross more than $10,000 income a year - and this represents a net annual income of only some $4,000. While record production and sales continue to provide welcome support for advancement, the farmer himself must obtain a far better share of the benefits. Agricultural efficiency must be increased in Canada at the pace necessary to maintain a competitive position in world markets. The solutions to many problems facing farmers are difficult to develop or apply. The federal government must accept major responsibility for advancement of an effective national agricultural policy for adequate farm incomes. Only the federal government possesses the financial resources adequate to find the solution. We have called for a national conference to tackle this and other pressing agricultural problems.

THE PRIORITY OF RESPONSIBILITY

The Cabinet has directed that strong new efforts be made to ensure the maximum effectiveness of Provincial Government spending. Ministers of all Departments have readily accepted this responsibility. Each Department has been asked to examine anew its programming to determine priorities in the light of goals to be achieved.

The Treasury Board is being reorganized to ensure that Manitoba tax dollars are being used to maximum advantage. Prime objectives of the Board continue to be to eliminate and to prevent duplication and over-lapping. The aim is economy and efficiency in administration, to make every public dollar go the furthest possible distance. The effective use of our resources has never been a more urgent necessity than is the case now. The urgency can only increase as we move forward.

REVENUE AND EXPENDITURE - FISCAL 1966

In this Budget, I have simplified all references to provincial fiscal periods. For example, I identify the Provincial Government's present fiscal year, beginning April 1st, 1966, as fiscal 1966.

Revenues: Fiscal 1966

The total estimate of revenues for the present year was $276,164,501 before carrying forward the surplus from the preceding fiscal year. With ten months behind us it now appears that revenues will amount to approximately $281,500,000. After retirement of approximately $5.2 million in provincial debt, and other year-end adjustments, the final surplus carried forward from the 1965 fiscal year was $15,300,000, bringing the funds available for the present year's current account operations to $296,800,000.

Expenditures: Fiscal 1966

Available information shows that the expenditure estimate of $298,000,000 will be exceeded in the present fiscal year. The Red River Flood and all expenditures associated with the blizzard of last March could not have been foreseen. Rising prices for material and labour added to the cost. In addition, there were non-recurring expenses in connection with the Pan American Games and the Provincial election. The federal government's welcome advance of a $5,000,000 "progress" payment in respect of 1966 Flood costs scaled down the total increase over estimated expenditure. However, present indications are that expenditures in fiscal 1966 will be $11,000,000 higher than estimated. In aggregate, increases and decreases in expenditures over or under the estimates bring the lastest estimate for fiscal 1966 to $308,800,000.

Since we are about to embark on a new system of school financing, I propose to discontinue the practice of accruing expenditures with respect to our former school grants and other aids. With the $12,200,000 school grant accruals no longer being charges to revenue account, the shortfall on fiscal 1966 operations is converted to a small surplus.

DOMINION-PROVINCIAL RELATIONS

The Findings of the Tax Structure Committee

The Tax Structure Committee was established in 1964, with the strong support of the Premier of Manitoba, as a Committee of Ministers to examine the trends to be expected in public expenditures by the federal government, the provinces and the municipalities. The Committee studies were also to provide forecasts of revenue. Consideration of priorities was a special subject advanced by the Premier of Manitoba for inclusion in the Tax Structure Com­mittee's terms of reference. It was a sharp disappointment to find that these proposals by the Premier were not acted upon.

The facts in the studies were accepted by all concerned. No principal statement was ever seriously challenged by the participating governments. The studies indicated that, for all levels of government combined, existing programs and present commitments alone would produce an excess of expenditures over revenues of between $1.5 billion and $2.0 billion by fiscal 1971. Many new programs are likely to be introduced during this period. Yet the federal government, taken alone, would enjoy a budgetary position moving towards a balance whereas the provincial-municipal level of government would incur nearly all the rapidly rising excess of expenditures over revenues.

In fact, on the basis of existing commitments, the Government of Canada indicated, in its own figures, that its budget could be expected to show a surplus of between $325 million and $725 million by fiscal 1971. The provincial-municipal projection, on the other hand, shows a deficit for that year of some $2.5 billion. The deepening difficulties of the regional governments are clearly illustrated by this projection of rising deficits. In large measure, the provincial-municipal deficits can be attributed to the essential education commitments. Education is a national need, but a provincial responsibility.

Following the presentation of the Tax Structure Committee findings, it becomes obvious that the first fiscal priority before the nation must be to remedy the financial imbalance between the federal government and the provincial-municipal sector of government. The findings of the Tax Structure Committee prove the provinces' case for a larger unencumbered share of the direct taxes on incomes, profits and estates. These are joint fields to which the provinces have as much right as the federal government. It is manifestly unjust for anyone to interpret the provincial-municipal position as being formulated around "demands" or "raids" on the national treasury.

Fiscal Arrangements

At the end of October, 1966, the plenary session of the Federal-Provincial Conference reconvened in Ottawa to resolve the problems in respect to the allocation of public financial resources. Canada was not prepared to allow an unconditional increase of personal and corporate income tax for general provincial purposes as had been provided for the past two fiscal periods - an increment of 3 percentage points of federal income tax withdrawal has been extended in each year. Canada did increase its withdrawal from these fields from 24 percent of tax on personal income to 28 percent in fiscal 1967, and from 9 percent of taxable corporate earnings to 10 percent in fiscal 1967. The terms of the collection agreements were extended for an interim period of two years. But - and I underline this most strongly - this does not represent new unconditional revenue because the additional points are tied to the federal proposals concerning post-secondary vocational training and university and college support. Nor does it represent net new revenue as federal withdrawal from various former programs, previously provided constitutes a very large offsetting loss to the Province and its institutions.

The federal government has offered to share 50 percent of selected operating costs for universities and colleges and for post-secondary vocational training. At the same time, the federal government has withdrawn its financial aid formerly directed to our universities and colleges and its support for certain categories of technical and vocational training. Other costs of providing manpower training for restricted categories of adults have been taken over by the federal government. When we first examined these proposals indications were that the sProvince might gain a net of $3 million in federal assistance. But there were many uncertainties. Since that time, further modifications and clarifications have been made. There are still important elements under negotiation. It now looks as though the net gain to the Province may amount to several million dollars more, but far less than the apparent yield of the federal personal and corporate income tax abatements and residual compensation transferred for these purposes.

Moreover, the federal proposals concerning education support do not mean that Canada will pay 50 percent of the true costs of vocational, technical and university education. In fact the federal government does not intend to pay even one half of the actual operating expenditures for institutions of higher learning. As for the very large capital requirements of universities and colleges, the provinces are left to support the major portion. Ottawa insists that its aid - less than half the actual operating costs - is also intended to meet a share of universities’ and colleges’ capital needs. Federal capital aid for technical and vocational training is being phased out, as well.

The Province must continue to provide the basic capital support for its universities and colleges and a major share of operating support as well. In the current estimates we are providing $26.3 million in direct provincial aid to the universities and colleges - $10 million more than the entire gross receipts we now estimate as coming from Canada under its post-secondary fiscal arrangement.

Frequently in the past, the federal government has taken the initiative in offering shared-cost programs in fields of provincial responsibility. However, the federal government now has stated its intention to abandon the shared-cost concept and, with it, the shared-cost programs. But costs in the abandoned program areas continue to escalate and the provinces are not able to bear this burden alone. We do not feel that the federal offers of compensation have been equitable as they do not cover the growth in costs that can be foreseen.

The federal government has also abandoned the basis on which fiscal equalization has been developed over the past 25 years. These are principles to which the present Government of Canada has repeatedly pledged support. In the past, equalization has been based on the yields of taxation on personal and corporate incomes together with succession-estate transfers and - in some degree since 1961 - natural resource earnings. Equalization was produced by bringing the per capita yields in each province up to the two wealthiest provinces in the country.

Equalization now will be based on a very complicated formula incorporating all common sources of revenues among the provinces. This so-called measure of revenue capacity is equalization not against the average of the two wealthiest provinces but against the national average. The inclusion of all common sources of revenue does not provide a meaningful mea­sure of wealth-generating capacity or ability-to-pay.

The new federal formula has preserved Manitoba's current amount of equalization payment temporarily, with every likelihood that this will decline. The formula has done nothing to help "average" provinces catch up to the wealthier provinces in the country. True equalization can never be achieved at a level halfway up the scale - by definition some provinces must always remain above that level and no progress is made towards making all provinces equal. Equalization can be achieved only at the top.

The following table presents the revenues Manitoba expects to receive under the new tax agreement in fiscal 1967. For illustrative purposes, we have made a comparison with what the Province would have received had the former agreements been carried forward into the 1967 fiscal year. Honourable Members will appreciate the concern expressed to the federal government by this Government, inasmuch as the Province will receive an estimated $7.8 million less than would have been the case on the former basis.

In addition, the federal government has proposed a new revenue stabilization measure. Under this scheme, the federal government would pay stabilization grants to any province whose revenues, at constant tax rates, were to fall by more than 5 percent from the prior year's receipts. This permits the federal government to step down, by 5 percent each year, the level of support for provincial revenues in a period of recession - the very time when provincial responsibilities for social services would be most onerous. The Province expressed concern that the 5 percent margin was too wide in view of the continuing acceleration of provincial program costs.

On the whole, we are extremely disappointed with the new federal-provincial tax proposals.

In the face of real and mounting costs - confirmed by the Tax Structure Committee - we had logically expected much greater federal assistance. We recognize the federal government's requirement to meet its own responsibilities. We do not expect federal assumption of our provincial responsibilities. But the fact remains that the financial position of the central government is expected to remain advantageous while the provinces, already deficient in resources, will become increasingly hard-pressed. This is not a satisfactory sharing of a common burden.

It is the intention of the federal government to review the fiscal agreements after the Report of the Carter Commission on Taxation has been considered. In the meantime, Manitoba has asked for immediate reconsideration of provincial financial requirements. The Premier has called for a new fiscal conference immediately.

I will table, as an Appendix to this Budget, the Statement on behalf of the Province of Manitoba before the Plenary Conference last October.

PROVINCIAL TAXATION POLICY

The Tax Structure Committee revealed the rise of costs in the provincial-municipal sector.

Economic and social developments fall most heavily upon the regional governments and Manitoba has felt these rising costs. Education and health, in particular, have required major increases. This Budget reflects these facts.

The programs being continued and expanded are essential. The new plan to help schools and local school taxpayers; increased university and college aid; technical and vocational education; and the other elements of the Education and Manpower priority require some $36 million more in fiscal 1967. Health requires another $13.6 million, mainly for sharply rising hospital costs.

We made stringent examination of every program of the Government. Wherever possible, we have deferred implementation or held down programs of lesser priority.

The Government then looked again at the programs of top priority. We looked for possible cuts in these programs. But, in the fields of highest priority - where the costs are greatest - what could be cut? What commitments could we reduce? Where could we hold the line?

In this Budget, under education and manpower development, the University of Manitoba will receive some $22.4 million in fiscal 1967. This is nearly $10 million more than the Province provided in support to the University in fiscal 1966. But the federal government has withdrawn some $3.9 million in direct grants and the University will realize only $5.6 million ill new money. Could the Province have reduced its support in such circumstances?

Brandon College - nearing University status - will receive some $1.9 million support from the Provincial Government for fiscal 1967 or better than 50 percent more than in 1966. Yet, after withdrawal of the former federal grant, this means less than $500,000 new income for Brandon College. Could we have reduced this commitment?

The Affiliated Colleges will receive $1.9 million from the Provincial Government in fiscal 1967 - but they will lose over $1 million in federal grants now withdrawn. Thus, while the Provincial grant has been increased nearly ten times over fiscal 1966, the Affiliated Colleges will receive only a little better than $600,000 increased aid. Could we have reduced this support?

Nor could we reasonably reduce our commitments to technical and vocational training when Manitoba industry is already experiencing critical shortages of skilled labour.

The Government might have chosen to leave the main burden of increase in local education costs with the homeowner. This we would not do.

In the health field, the Government could not refuse to meet rising hospital costs. The need for effective health facilities is inescapable. The Hospital Commission has, therefore, been allocated the major share of the increase for health programs in fiscal 1967.

After the most stringent economies in all programs, we have been left with these increased needs. The needs must be met.

Existing revenues could not meet the costs of education, health and other basic requirements for Manitoba's development. The failure of the federal government to base the tax-sharing arrangements upon the findings of the Tax Structure Committee has meant that Manitoba must find the necessary increased revenues within its own resources.

Of course, the Government considered all of the tax fields open to it. The required amount of new revenue could not have been raised by increasing any single tax nor from any combination of practicable tax increases in fields being generally utilized in Manitoba. Rates must be kept about the same in all the provinces, otherwise we return to the "tax jungle" of former times. Balanced growth in such circumstances would be impossible. Rates of income tax, corporation tax and gasoline tax in particular must not be allowed to rise too much above those in other jurisdictions.

The Provincial tax rate on personal incomes would have had to be nearly doubled if this field had been selected to raise the annual amount necessary. The corporation tax in Manitoba would have had to be tripled. The gasoline tax would have had to be raised from 17 cents to 43 cents a gallon. Nor would any combination of these taxes provide an acceptable solution.

No province - certainly not a developing province - can afford to impose excessive rates. People would be driven out; industry would find it impossible to operate.

Taxes on natural resources in Manitoba are now comparable with those in other jurisdictions. Again, we cannot levy rates much higher than elsewhere, and still expect to attract development capital.

We must wait for the Carter Report for any further consideration of a capital gains tax because of present constitutional and practical problems. But, in any event, our own estimates indicate a very modest potential revenue for Manitoba - perhaps $2 million to $3 million a year. Certainly the capital gains tax does not offer an adequate alternative source of new revenue.

We must also await the Carter Report in respect of estate tax or changes in the tax status of co-operatives. Here again, any possible new revenues appear. certain to fall far short of our requirements.

Regretfully, we have come to the conclusion that a general sales tax is the only choice open to the Government. The measure we propose, in a Bill to be introduced at this Session, will provide for a levy of 5 percent on the retail price of taxable goods and services. In order that the burden of taxation be ameliorated with regard to low income groups, exemptions will be proposed in respect of food and lodgings other than of a transient nature. Exemptions will also be given to children's clothing and footwear. Further exemptions will be provided for such items as prescription drugs, dentures, hearing aids, eye glasses, etc. Such commodities and services as are taxed under The Tobacco Tax Act, The Motive Fuel Tax Act, The Gasoline Tax Act, The Amusements Tax Act and Part I of The Revenue Act, 1964, will be exempt from tax under the proposed legislation.

The legislation will also provide exemption for agricultural equipment, seeds, certain animals, farm fertilizers and other production essentials for the farm economy. Similarly, equipment required by commercial fishermen will be exempt. Capital equipment for industry will not be taxed.

The main exemptions for goods are set out in an Appendix to this Budget Address and I have also listed the main services which we propose to tax. Real property will be exempt from taxation under the proposed legislation, together with labour costs of construction. Construction contractors and builders will be regarded as consumers of any tangible personal property which they incorporate in real property and will therefore pay tax on the building materials they purchase. In order to overcome difficulties in respect of fixed price contracts entered into before the announcement of the tax, we will provide for the alleviation of hardship in respect of tax paid on materials incorporated into real property under fixed price contracts entered into prior to February 1st, 1967.

The proposed legislation will apply to goods and services purchased for consumption or use within the Province, no matter where purchased, and provision will be made to ensure that goods purchased outside the Province do not gain any tax advantage over goods sold by Manitoba enterprises. The tax will be collected by vendors making sales inside the Province, from purchasers of goods and services in the Province of Manitoba. We will seek the co-operation of vendors outside of Manitoba who make sales to residents of this province. Vendors will become agents of the Crown for the purpose of collecting the tax.

In recognition of the essential service that the business proprietors will thus be performing for the Province, it is intended to provide a commission as compensation.

Most business enterprises will have to make some adjustments to carry out the duties they will assume under the proposed legislation. In order to provide a reasonable time for these adjustments, the taxation will apply only to goods delivered or services rendered on or after June 1st, 1967. I estimate that the yield for the portion of the fiscal year 1967 in which the tax will apply will be between $33 million and $34 million. While the tax will come into force on June 1st, 1967, only nine months' actual collections will be received in the first year. In a full year, I estimate a yield from the general sales tax of some $45 million.

The new impost will be called the Manitoba Education Tax. The major factor in the increasing cost of regional government responsibilities is, without question, the education priority. The Tax Structure Committee projections showed this most clearly for all provincial-municipal governments. In Manitoba's Budget, more than one third of the total of expenditure is committed to education, and the greatest increment year by year occurs in this field.

General sales taxation is a field that is common to all, to finance commonly shared responsibilities. Education is clearly such a responsibility.

A general sales tax, when sound exemptions are provided, is not regressive. On the contrary, with basic necessities exempted, as in the Manitoba legislation, a general sales tax falls with reasonable equity on all. Those with greater capacity for purchases beyond the staple necessities will pay more. I wish to quote a universally acknowledge authority on sales taxation in North America, Professor John Due. In his book, "Provincial Sales Taxes", published by the Canadian Tax Foundation, Professor Due cites the following conclusions of studies in respect of sales tax and its impact (1):

"Except at the lowest and highest income levels, the distribution (of the tax impact) is surprisingly proportional. There is some tendency toward regressiveness at the higher income levels…”

"When food is exempt\*... the regressiveness (of the sales tax) is largely eliminated... Food exemption\* largely eliminates regressivity because the lower income groups concentrate a high percentage of their incomes on food. "

\* Food is to be exempt in the Manitoba Legislation, other than for restaurant meals above $2.00.

(1) Pages 106-107, "Provincial Sales Taxes", John F. Due; Published by the Canadian Tax Foundation.

Tax Relief

I now announce a very different taxation change. The Government has given long consideration to the farmers' dilemma of constantly increasing production costs on the one hand and a narrowing price opportunity on the other hand. The agricultural cost-price squeeze is such that no part of the community can escape the serious consequences.

In a period of rising food costs, it is obvious that, in addition to exempting food from sales taxation as we intend, the Government should take whatever steps are open to reduce further the cost of food production. Therefore, we propose to extend exemption from gasoline taxation to cover use in farm trucks. This new exemption will have effect from May 1st, 1967. This measure will apply throughout the year, and should have a direct effect in reducing the cost of farm production - thereby benefitting farm families and consumers alike.

No other tax changes are contemplated by the Government for fiscal 1967.

REVENUE AND EXPENDITURE - FISCAL 1967

I expect a continuation of general progress in the economy for 1967, albeit at a moderated pace. At the same time, the pressures of rising costs for materials and skilled personnel will be felt in the Budget. There are, furthermore, the necessary commitments to priority programs in education and health and in economic resource development.

Revenues: Fiscal 1967

I estimate for the fiscal year 1967 revenues of approximately $353 million. Honourable Members will recognize that this is an increase in revenue of nearly $77 million over last year's original estimates. The greatest increase arises, of course, from the new sales tax which we expect will yield $33,750,000 in the fiscal year. Increased revenues came from corporation and personal income taxes, automobile registrations, drivers' licences, and liquor sales. I should read that sentence again. Increased revenues come from corporation and personal income taxes, automobile registrations, drivers' licences, and liquor sales.

Expenditures: Fiscal 1967

The expenditure program of the Government is already before you - total expenditures are estimated at almost $354,600,000. It is essential to implement further advances in many provincial programs of unquestionable need for our citizens and for their children. Education and health have the prior places. Other economic and social support programs, and especially those aimed at stimulating new enterprise and the creation of wider opportunity - these, too, must proceed to the fullest extent permitted by the resources available.

I shall not attempt to report on all activities undertaken by Government Departments inasmuch as this will have been done by the respective Ministers. I will later provide a Departmental supplement for distribution with the printed Budget Statement. However, some comment and comparative data illustrating the contribution and expansion of Government pro­grams will set the current expenditure estimates in a proper framework.

The Government is now directing 34 percent of the provincial budget to education alone. The Foundation grant and educational cost-sharing program itself will add some $13 million to the expenditure program this year. The Province will direct 59 percent more assistance to the universities and colleges. Over $5 million will be provided for the Applied Arts Institute. Since 1958, enrolment in elementary classes has risen 21 percent; enrolment at high school level has risen 87 percent; enrolment in vocational and technical training has increased by 498 percent; and university and college enrolment has grown by 140 percent.

Since 1959, the cost of running the hospital program has more than doubled. Average per diem hospital costs have increased 88 percent. These costs continue to rise and this trend is giving considerable concern.

This will be the first full operating year for the Canada Assistance Plan. This will mean needed new support for the unavoidable increases in expenditure by the Government. Institutional costs in homes, hospitals and care facilities have risen sharply in the last year. Hospital coverage is extended without charge to some 60,000 persons - last year. Over 27,000 elderly per-sons and social allowances beneficiaries receive complete services without cost under the Manitoba medicare plan.

Other noteworthy expenditures by the Government will include:

- Provincial foresty programs from which the federal government has withdrawn its long-standing support - $500,000 last year.

- The $42.7 million to be invested in the continuation of highways maintenance and development program.

- Some $10 million in respect of all programs providing support for industrial, commercial and recreational services.

- An estimated $1.5 million for land acquisition and construction of public housing chiefly in respect of the Lord Selkirk Park Urban Renewal project. This site when completed will provide accommodation for 1,343 persons in 328 units.

On the basis of the aggregate indications of revenue and expenditure, I estimate a deficit on current account of over $1,500,000 for the fiscal year 1967, even' after we have made every endeavour to hold expenditures down. In the course of the year, we shall continue to exert maximum effort to ensure effectiveness in our budget control.

CAPITAL PROGRAM

In the $354 million current program for fiscal 1967 represented in this Budget, some $59.8 million will be expenditures of a capital nature to be paid for out of current account.

In addition, we will be spending $8.8 million on capital account to complete the Red River Floodway, and for major construction on the Assiniboine Projects. The related capital supply request will total $6.5 million after allowance is made for authority already voted. We will, of course, require extra authority for some of our utilities and other self-sustaining agencies. There will be further borrowing needed for these latter investments.

The capital program represents a continuing development of assets and facilities which become part of the real wealth of the Provincial community. For fiscal 1967, $68.6 million will be spent on direct government account for capital purposes.

Education, as we have stressed, carried a first priority into this capital expenditure program. Some $26 million for school, university and college building projects are included. Facilities for vocational training, technical education and practical industrial manpower projects are also included in this figure.

Included in the capital program are substantial sums for continuing investment in roads, highways, water control and essential public facilities required for service operations. Urban renewal, elderly persons housing, hospital and other health facilities are covered. Drainage and water supply, conservation, parks and recreation, and a variety of resource projects are important components of the capital investments scheduled for 1967.

DEBT POSITION

General Debt

Honourable Members will be interested in the new debt statement. It shows that as of December 31st, 1965, our net general debt was $192,943,000 and that it dropped to $178,628,000 by December 31st, 1966. In other words, Manitoba's net general debt has been reduced by over $14,000,000 in this period. This reduction was made with funds derived from current account, from sinking funds and from other funds provided for retirement of debt.

With the $8,800,000 to be borrowed in the coming year for floodway and diversion projects, the debt will still remain below the figure of a year ago.

Guaranteed Debt

The Province finds it necessary from time to time to guarantee the debt of school districts, municipalities, hospitals, our Hydro and Telephone System and other government agencies. Honourable Members will note that this guaranteed invested debt has risen from December 31st, 1965, to December 31st, 1966, from $408.4 million to $484.8 million.

SELF-SUSTAINING INVESTMENTS

This is a measure of some of the developmental expenditures that must be made if we are to progress as a Province. There are of course assets to offset this growth in debt. New power plants and systems and new communication plants throughout the Province have been put in place. In fact, were we to sell our utilities at their approximate book value as of March 31st, 1966, we would realize $635 million, which is more than our entire guaranteed debt outstanding. Replacement values would be even higher.

We are entering on a heavy new developmental expenditure in our public utilities field. The Nelson River project announced last year is under way and while it will not need new authority, Manitoba Hydro expects to borrow $67 million more in the new fiscal year. The Telephone System will require new authority of about $20 million for new investment in the next year. A substantial part of this will be related to growing development in the north and throughout the length and breadth of Manitoba. The Agricultural Credit Corporation will need to use new funds amounting to about $5,000,000 to strengthen further the investment in the very important farming area.

While it is not always easy to find money, I am pleased to report that, in the last week or more, there have been some marked improvements in the bond market. The United States and the other major countries in the western world of finance now appear to be intent on a general lowering of interest rates. This is a welcome change from the very high interest rates of last year and we can only hope that the trend continues.

It was quite clear at our most recent federal-provincial conferences in Ottawa that Manitoba and all the other provinces face very considerable borrowings in this year and in the years ahead. This problem may be eased somewhat by further readjustments of the tax-sharing arrangments between the provinces and the municipalities on the one hand and the national Government on the other hand. However, at the moment we, like our sister provinces, can only welcome a lowering of interest rates because much more money is needed for social and developmental investments in the provinces and the municipalities and those investments which must be made.

This Budget has been framed in the restrictive financial circumstances imposed on the provinces and municipalities by refusal of the federal government to share equitably the joint tax fields.

The Government of Manitoba, therefore, has reviewed its programs in the most stringent terms. Priorities were set to meet the basic requirements of the Province. The principle of need has been maintained as far as possible in shaping our policies. At this point, I wish to quote from Manitoba's statement at the recent Federal-Provincial Plenary Conference.

" We can expand programs to improve the quality of living only if we give more recognition to the concept of need. There is no need to subsidize the wealthy. There is a need to concentrate our efforts on those who need help."

These concepts have been scrupulously applied in the social policies of the Government as far as possible. Education and health and other developmental expenditures were each given their proper place. In making the necessary decisions, we have stressed soundness in financial and economic programing. This has meant that some programs with strong claims have had to be placed in lower priority this year.

Against a background of substantial progress and prosperity in the Province, I am optimistic about Manitoba's future. Our achievements have been reflected in growing strength of activities related to agriculture, trade, resource development and related industries and services. Our aims, as expressed in the Report of the Committee on Manitoba's Economic Future, have always been high and we have new and growing confidence that we will realize our aspirations for the Province.

However, I wish to underline some of the considerations which must be given full recognition in present circumstances. We are experiencing a period of rapid acceleration in the cost of providing public services. This is part of a trend in North America and any containment of these mounting costs involves wider controls and influences than can be exercised by anyone region or one provincial government. Economic prosperity in Europe as well as in North America continues and the demands for investment capital are running high. Manitoba must compete with all other public and private enterprises for necessary capital requirements.

Thus, while I expect a good level of economic activity to continue in the year ahead, we must move our public programing forward carefully and with particular regard to the trend in the provincial-municipal budgetary position forecast by the Tax Structure Committee.

In Manitoba we are in the midst of rewarding challenge which should fill us all with enthusiasm for the future. We have growing wealth and more potential for progress than ever before. However, to clear the shoals and maintain a steady course, we must exercise restraint and firm judgment. This Budget reflects this Government's regard for the sound development of the Province. We shall not forfeit future progress by complacency or lack of awareness of the problems before us.

Mr. Speaker, I beg to move, seconded by the Honourable the Attorney-General that Mr. Speaker do now leave the Chair and the House resolve itself into a Committee to consider of ways and means of raising of the Supply to be granted to Her Majesty.