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COMMITTEE OF WAYS AND MEANS

Mr. Speaker, in moving this famous motion, I would like to sound one note of regret tonight, a personal regret, that the Leader of the New Democratic Party is not with us. The Member for Radisson - if I'm right, and I, began in this Chamber sitting side by side on the back row. Where the Honourable the Member for La Verendrye sits now is where I sat and then the Member for Radisson sat next to me, and I think then Bill Kardash sat next. We were a mixed bag indeed and we have gone our separate ways. I wanted to take this occasion to say that the Leader of the New Democratic Party paid me the very great courtesy of writing to me today to say that he was sorry that he would not be here and wishing me well personally, and saying what I know to be too true, and that is that he knew that Saul Cherniack would take care of me very well. Well, I'm quite sure that that is - I'm quoting his letter - so I'm quite sure that that will be the case, but I did want to voice a personal regret that after such long association I should on this occasion not have the pleasure of seeing my good friend "Buzz" Paulley opposite me for the reason that causes him to be away. I know that everyone will join with me and I will have unanimous support in the House if I say that we wish him well and look forward to his early and healthy return.

I want to acknowledge another personal courtesy. As I came into the Chamber tonight I saw a sign - a very impressive sign - standing as a matter of fact, Sir, in front of your place, reading "It's time for Gurney in the Senate". Well now this indeed is an interesting sentiment. I notice that at the bottom it says: "It's time for Gurney in the “blank Senate", or perhaps the "blankety-blank" Senate, I don't know. But in any event, the kindness that prompted one of my honourable friends opposite to bring this souvenir back from a trip to the United States is one of the evidences of camaraderie in this House, which I think is such a valuable asset and which I prize and for which I wish to pay acknowledgment just now, and I do thank my honourable friends for their kindness and their friendly and jovial gesture. Now, Sir, if I may proceed to the business of the evening.

In less than a year and a half, the Province of Manitoba will be one hundred years old.

The Government, along with a million Manitobans, and many thousands of visitors will celebrate our Centenary in 1970. Pride and anticipation are felt by all citizens and friends of Manitoba.

It is regrettable that our prospects must be tempered with concern. Manitoba, like most jurisdictions in Canada, is experiencing difficult financial problems. Unfortunately, the relations among the senior governments, essential in any search for solutions to these problems, have deteriorated seriously since I last reported to you. However, following very healthy exchanges at the Constitutional Conference in February, I believe that a turn for the better in these relations is now possible.

This Government believes that Manitoba's future within a strong Confederation promises greatness. Much progress has already been made, but much more could be done in order that our Province may truly realize, in its second century, the dreams of the men who brought us into this nation. What is more important still is that all our people today, and their children, shall have the opportunity to make their own full contribution to the progress of their Province and their Country. The Government of Manitoba is pledged in every policy to work for the creation of opportunity for all our citizens. This objective underlies our approach to federal-provincial relations, to Constitutional review and, indeed to all the challenges which lie before us.

These challenges face us today. It is, therefore, essential that we maintain the strength of our community so that longer term opportunities can be developed. This requires that our continuing policies be soundly based, that our taxpayers be given first consideration and that our programmes serve essential needs now. By economy in public spending, the Government of Manitoba can once again present a Budget based on tax restraint in its own direct fields and new tax assistance to our municipalities and their taxpayers.

GOVERNMENTAL RE-ORGANIZATION

The Manitoba Government continues to pursue a goal of full development for the Province. This must be a policy which is realistically framed within the financial resources available. Our goal can only be met by soundly based programmes within the capacity of our people. To ensure that this capacity is well served by maximum efficiency and effectiveness in all that we do, the Government has re-organized its own structure. This past September, the most extensive governmental overhaul in our history was implemented to give better service to the people of Manitoba for their tax dollars.

We believe that the Government is now organized to make the best use of the latest planning and management techniques for establishing objectives and introducing new programmes or applying proven ones to meet these objectives. There is no need for me to restate the basic restructuring of departmental personnel and responsibilities. However, it is worth repeating that the primary task of the Management Committee is to review the expenditures and management procedures of all governmental departments; the responsibility of the Planning and Priorities Committee is a continuing appraisal of the priorities of all our programmes and their objectives.

Already the Government's new organization has shown tangible and positive results. Indeed, improved budgetary procedures have made it possible to extend services to critical areas despite severe overall expenditure restrictions. I shall discuss these measures more fully when I give consideration to the expenditures estimated by this Government for fiscal 1969.

FEDERAL-PROVINCIAL RELATIONS

Unhappily this past year has been marked by deteriorating financial relations between the Province and the federal government. This situation had become particularly serious by the time of the Constitutional Conference in February of this year. At that Conference, few of our sister Provinces failed to express their concern in respect of the federal government's apparent unwillingness to recognize that fiscal arrangements must knit together the nation, rather than fragment it, if Canada is to move forward in strength under any form of Constitution - new or old. It is easy to lose sight of the fact that every public service, whether it be a federal, provincial, municipal or joint responsibility, is provided for and must be paid for by the same people - the Canadian taxpayers.

For over thirty years governments have been attempting an orderly solution to the problems which created the tax jungles of the past. The most significant achievements in this period were made through various agreements involving the pooling of tax resources. After the Rowell-Sirois Commission, a series of tax sharing arrangements formed the basic Structure of federal-provincial fiscal co-operation. In a two year review of these relationships, a jointly staffed federal-provincial committee of ministers - The Tax Structure Committee - worked to update the Rowell-Sirois concepts. The findings of the Tax Structure Committee that were published in 1966 gave the outlines of what was needed to secure a truly equitable distribution of tax revenues in the foreseeable future. However, developments in the period since 1966 and in particular over the past year have made this goal seem less attainable than at anytime in the past 30 years.

Concerted government action is an essential requirement for easing the pressures of rising prices. These pressures fall with particular severity on those groups which can least defend themselves - people with low or fixed incomes, such as widows and old-age pensioners. Thus, it is even more difficult to understand the federal government's urging that taxes available to provinces and their municipalities be further increased since those are the ones that usually add most to the burdens of these same people. It is these Canadians who most of all must depend on all governments working together to make their security real and lasting.

Provincial initiative in the personal income tax fields has been blocked most effectively by the federal government's 2% Social Development Tax. By pre-empting the major direct tax field in this way, the federal government has left little room for equitable provincial tax changes. Similarly, extension in our other tax sources is closed to us as well by federal increases in the overall tax load on the citizens in all provinces. It could not be clearer that consultation and co-operation are necessary now to promote the true interests of all taxpayers.

A parallel situation is found in the field of shared responsibilities. In the past year alone, after little or no prior warning or consultation, the federal government has announced its withdrawal from a long list of such undertakings. The obligations relinquished included the National Health Grants programme, at the very moment when a universal federal Medicare scheme was being imposed. The Winter Works assistance programme was cancelled just as unemployment ratios began to move upward once more. In recent months sweeping changes in the National Welfare Grants have been proposed by the federal government - changes which will result in a lessening of federal aid to essential social service projects in the Province. At the same time, the federal government cut back Manitoba's annual allotment under the Health Resources Fund - again coincidental with the pressure to go ahead with Medicare. Earlier in the year, support for the Emergency Measures Organization was drastically cut back.

Ottawa's long hesitation in confirming support for its share of the Canada Land Inventory project in this Province has caused difficulties in our programme planning. Less than two months ago, the federal government announced, again without prior consultation, another cancellation under this same programme. Its decision to terminate support for a valuable section of the Canada Land Inventory Project has been protested vigorously by the Minister of Mines and Natural Resources. This type of unilateral action is unacceptable, not only because of obvious loss of financial support for a previously agreed programme, but also because of its timing. The announcement was made when our budgetary preparations for the coming fiscal year were very near completion - a fact that must have been well known in the national capital.

Many of our other joint undertakings are also shadowed by contradictory federal intentions. I have noted that Medicare on federal terms is now a fact in Manitoba. This is the largest and most costly shared programme ever initiated in Canada. Yet the federal government has stated that its participation in Medicare will end in 1973, and that it expects to make some as yet unknown financial arrangement at that time. The history of similar programmes leaves no doubt that the Medicare plan will continue to escalate in cost. Any financial settlement at a given moment is certain to be inadequate in the months and years which follow unless there is a firm commitment to bear a set percentage of the actual costs. The Prime Minister's recent assertion that "There will be no more Medicares" offers little comfort in respect of the problems we must now carry.

Few other joint programmes appear secure from future Federal withdrawals. Indeed, the Prime Minister has flatly stated that federal initiatives will continue in provincial fields followed by federal withdrawals; leaving the provincial budgets committed. Hospital Insurance, the Canada Assistance Plan, post-secondary education aid, Manpower programmes, as well as an increasing number of Indian health and social services are being included in this pattern. Uncertainty must now be felt even for the ARDA and FRED projects in their present form. The very recent shift in the federal government's approach to regional economic development may well be an improvement. Fairness and reason require that we have more facts upon which to judge. But our concern for the tenure of programmes in this vital aspect of Provincial development is understandable.

In most cases shared programmes were promoted vigorously by the federal government and because of their formulae the provinces were obliged to participate often against their better judgment. However, few would deny that there remains considerable room for joint programming between the senior governments in Canada and that these programmes will continue to require modification from time to time. Some will become obsolete and will have to be discontinued. But initiation, change, or cancellation of any programmes in areas of responsibility shared by the partners in Confederation must be based on joint decision. Sufficient prior consultation and a reasonable consensus are essential.

At the present time of concern that inflation not further increase competitive costs for Canadian goods, any new initiatives for expenditures of public money must be rigorously measured against the capacity of the fiscal resources available. Where such programmes clearly affect the fiscal resources of the provincial partners, their announcement, let alone their introduction, must be preceded by genuine negotiations and agreement as to terms and financial arrangements. Only after these conditions are met, can the Government of Manitoba be reasonably certain that the unfortunate experiences of the past few years will not be repeated.

In the meantime, the federal government's initiatives and withdrawals in joint fields have left the Province with sizeable obligations. These obligations are facts - real operating programmes now exist with real costs and administrative machinery. In many of these programmes, costs are rising rapidly. This government, of course, is willing to cooperate in placing reasonable constraints on expenditures and to extend the fullest efforts toward success in achieving the true partnership that is the Canadian Confederation.

Some encouragement was given to the Provinces at the ConstitutioIial Conference in February. All governments expressed agreement about the importance of improving relations among themselves. Numerous committees and sub-committees were instructed to undertake consideration of the myriad Constitutional questions which have been raised. These will be time-consuming tasks. Therefore, it was of particular significance to Manitoba that the Premiers and the Prime Minister confirmed earlier decisions that the Tax Structure Committee would be reconstituted to investigate the distribution of taxing and spending powers among the Governments of Canada. It was Manitoba's contention that this was an urgent task, to be completed as soon as possible, with remedies to the problems now facing our taxpayers being offered in the very near future. The consensus of the' Conference was in support of this view. A study of shared-cost programmes will also be undertaken.

Another Committee of Ministers is expected to meet to consider regional disparity problems. The Federal Minister of Regional Economic Expansion promised the Provinces that he will consult with them not only before the establishment and initiation of specific development programmes, but also prior to any major decisions on general principles. If this commitment is realistically sustained, a very significant change for the better may be anticipated in federal-provincial relations.

It is Manitoba's earnest hope that the Constitutional Conference will indeed prove to have been a watershed and that our relations with Ottawa will improve. The next major test will be the procedure by which the federal government advances consideration of its long-awaited White Paper on tax reform, now scheduled for release in late spring or early summer. In a matter as fundamentally important to the future of Canada as tax structure reform, the views of the provinces must be given consideration. Not only is this in keeping with the federal partnership, but it is required in acknowledgement of the taxpayers' interests which provincial governments reflect.

Manitoba's position on these basic questions has been clearly summarized in the statements made by the First Minister at the February Conference. These statements will be distributed as a supplement with the final printing of this Address. In the First Minister's contribution to the debate on the Speech from the Throne, he set the positive base from which I will proceed in negotiation with the Federal and other Ministers of Finance. Manitoba supports firmly and without equivocation a strong Canada with a strong federal authority for all Canadians. The best assurance that this necessary strength for Canadian government will be sustained is to be found in a strong partnership with the Provinces and their municipalities.

The policy of this Government in the federal-provincial partnership is one of co-operation - not confrontation. We will not shrink from our responsibilities nor from the clear statement of our views in this regard. We will support all practical and sincere approaches to secure co-operation in the interests of all Canadians.

EXPENDITURES AND REVENUES

FISCAL YEAR 1968-1969

Based on our actual receipts and expenditures for the eleven months ending February 28, 1969, and on estimates of transactions for the remainder of the fiscal year, it now appears that our-expenditures on current account for the year just ending should reach $359.250,000 and that our revenues to meet those expenses will come to $360,000,000 - in both cases, after eliminating from our current budget account the Hospital Insurance recoveries from the Government of Canada. By reason of the Hospital Insurance legislation, those particular recoveries are not to be counted in current account revenues. As a result we have adjusted our records to show the transfer of those recoveries to the Hospital Commission via a trust account rather than as a current account transaction. Based on these estimates the final result for the year should bring us a surplus of something in the order of $750,000.

FISCAL YEAR 1969-1970

The extent to which the responsibilities of the Government of Manitoba have increased in recent years is readily apparent in a comparison of the critical expenditures for education, health and social services.

Our outlay for education has risen 567% from $22.4 million in fiscal 1958 to an estimated $149.5 million in fiscal 1969. Health and Social Services spending has grown 303% to $96.0 million. The increasing cost of provision of services in these two fields alone, accounts for nearly $200 million of the $270 million increase in the total expenditure during the period.

These dramatic increases reflect actual service demands, of course. They also reflect the addition of new programmes initiated by the federal government. Bearing in mind the fact that the Provincial Government must find its share of such programme costs, Manitoba's case for a fiscal "new deal" is very clear. To be sure, our recoveries from the federal government have increased, and increased sizeably, but our expenditure obligations have more than kept pace.

This problem is by no means unique to Manitoba. The Federal-Provincial Tax Structure Committee predicted some years ago that the revenue and expenditure pressures on provincial and local governments from actual service demands would be substantially higher than those exerted on the federal treasury during this period. These conclusions have been substantiated by the statements and actions - and notably by the necessary tax increases introduced by Provincial Treasurers and Ministers of Finance across the country.

In the face of this situation, last year the Manitoba Government was nonetheless able to budget not only for the maintenance but also for the improvement of the quality of life in this Province, without recourse to a tax increase. This was the result of a major effort of restraint and careful planning. At the same time, broad community progress was not left with less support. It may surprise some to know that the Government actually made small reductions in taxation in the last fiscal year with respect to the levies under the Revenue Tax Act and served if we exempted from the provisions of the Revenue Tax Act certain school supplies, purchases by foreign visitors for exclusive out-of-country use, and purchases of granaries, lumber and other materials utilized in the construction of granaries. The past summer and fall were among the wettest on record. This dismal weather, coupled with slow grain movements and lagging sales, combined to place many Manitoba farmers in a difficult position. The Government felt that it could help alleviate financial pressures on the farm community by applying a temporary exemption to purchases of much-needed grain storage facilities.

The decision was made that an exemption from the provisions of the Gasoline Tax Act should be applied to international airlines taking on aviation fuel during non-revenue "technical" stopovers in Manitoba while on international flights. Reaction to this measure has been very positive and in the public interest. Already one major carrier has announced it will reconsider its plans to find another stopover location, and several others have expressed considerable interest in this Province as a potential refuelling stop during international runs. It should be emphasized that these international flights draw benefit only slightly from Provincial and local government services. Their contribution to the Manitoba economy in terms of fuel purchases is immeasurably greater.

It is with great satisfaction that I am able to confirm to this House and to the people of Manitoba that the Government can proceed with fiscal 1969 expenditures without introducing new taxes, increasing existing rates, or widening the base on which any tax is applied. Our budget is in balance and we intend to hold this position by every possible means. However I must introduce a note of caution. Inflationary pressures on wage and material costs, the introduction of Medicare on April 1, and the refusal of the federal government to commit itself to refrain from unilateral action in the shared tax and joint programme fields will undoubtedly make it even more difficult to preserve this balance. The House may be assured, however, that this Government will do all it can to maintain the budget balance that we have worked so hard to achieve.

Later in this address, I shall refer particularly to the financial circumstances of the cities, towns, villages, rural municipalities, school boards and other local government bodies. In the main it has been the need to alleviate their difficulties – and the burden which these difficulties impose on local taxpayers - that has led the Manitoba Government to restrain its own expenditures and to seek a fairer share of the pooled federal-provincial taxes. The Provincial financial problem is in reality a provincial-municipal problem. The denial by Ottawa of a reasonable sharing of the major Canadian taxes with the Provinces is a denial of relief to those who pay taxes on homes, farms, small businesses and other property,

The Government of Manitoba has maintained a consistent policy of extending to local government whatever assistance is possible within its own constrained financial position. Indeed, a major aim of our budgetary process for fiscal 1969 has been to free monies from our own programmes in order to provide greater help to local governments.

This goal, coupled with the Government's own revenue contingencies, and its firm intention not to raise taxes, dictated that the Provincial programme expansion had to be held within strict limits. Major new programmes clearly could not be undertaken. In fact, about $51,000,000 were cut from preliminary expenditure estimates.

As a result of this restraint and control, the Government has been able to hold the over-all estimates of current expenditure to $377,843,687 - up by approximately $18 1/2 million from what now appears to be the likely current account expenditures for the year just closing. This is an increase of 5%.

You will be interested in noting in some of my subsequent remarks that this year's budget provides new and increased assistance to local governments, including school districts, amounting to $18,796,815. In other words, an amount equal to the entire increase in our estimated expenditures for the new year as against the year just ending is being spent to reduce the burden that otherwise would fall on the school and municipal taxpayer.

With the expectation that revenues for the coming year will reach $378,400,000 and expenditures $377,800,000, we should have a surplus of approximately $600 000 a year from now.

DEBT AND FINANCIAL MANAGEMENT

In the past year, the Government made two significant advances into the financial markets of the world, it is a matter of history that, in the early days of the Province, most of our financing was done in London, England, and our capital money was loaned to us by British investors. Since the first Great War, the developing Canadian bond market and the big American market have provided us with most of the funds needed for our major capital development. In the face of a very difficult credit situation, affected by rising interest rates throughout the world and by a growing difficulty in finding people willing to invest in bonds, the Government decided to open two new avenues of credit.

Last summer, we raised almost $27 million in Germany. In the autumn, we decided that we had to develop a public market in the United States for our bonds so we registered our first issue with the Securities Exchange Commission in Washington. We travelled from coast to coast explaining Manitoba and Manitoba Hydro to respective groups of American investors, and brought out our first $50 million public issue in the United States last October. In view of its success, we were able recently to bring a second public issue to that market for $35 million, the proceeds from which were available to us and Hydro on the first of April. In Canada, we brought out one issue for $25 million last summer, again for Hydro purposes. In January of this year, we sold an issue of $17 1/2 million for Telephone purposes in Canada.

The favourable response accorded these Manitoba bond issues again indicated that investors in Canada, the United States, and Europe have firm confidence in the Province's long-term economic prospects.

In the financial tables and charts, which I have included with the Budget Address, may be found a presentation of our Public Debt figures. We are again showing a summarized statement of Direct Public Debt as of March 31, 1968. This statement is designed to show not only our actual debenture and treasury bill debt 'Outstanding but also to reflect accounts payable, accrued charges, and other unfunded liabilities as well as the sinking funds and other investments which can and should be considered as off-sets to our total direct public debt figures. On that presentation, you will note that the net direct public debt of the Province as at March 31, 1968, was $88,592,138 or about $91 per capita.

From the Estimates of Expenditure now before you, you will have observed that, despite rising interest rates throughout the world, the interest on direct debt of the Province - interest that must be paid out of our general revenues - has dropped by over $650, 000.

Guaranteed Debt

The guaranteed debt statement included in this report shows that this debt has risen approximately $102 million from Dec ember 1967 to December 1968. These guaranteed investments are largely for Hydro and Telephones. All of them represent the kind of continuing and growing investment that we need to strengthen the basic structure and ability of the Province to grow and develop.

In the year ahead, we expect to be borrowing again for the further development of our Province. Hydro will need something in the order of $100 million. Telephones will require approximately $17 million. The Development Fund will need perhaps as much as $30 million. We are expecting to borrow upwards of $25 million for local school districts.

We will again be carrying on expanded activity in our Urban Renewal and Housing programme. With money available from the Canada Pension Plan, from the Central Mortgage and Housing Corporation and from funds generated internally, we can expect to accomplish all of these capital investment objectives, while borrowing something in the order of $100 to $125 million in the long-term public bond market.

I can now forecast that these borrowings will not add to the general purpose debt of the Province. In other words, our net new borrowings in the year now beginning should be for self-sustaining enterprises. We are actually able to anticipate lessening the burden on the general revenue of the Province as our net general purposes debt and related interest charges continue to fall.

TAXATION

The Government has previously indicated its continuing determination to hold the line on Provincial taxation. I am now happy to confirm that there will be no new or increased Provincial taxes for fiscal 1969. Furthermore, through effective control of Provincial programmes, the Budget before you also provides for additional assistance to local government which is intended to permit a good measure of restraint - or hopefully even reduction - in local property tax levies to be applied for the current year. Certainly municipal taxes will rise less this year than they would have without this extra assistance.

I now refer to the federal estate tax measures announced in the federal budget of the 22nd October. While the intense protest made by the Canadian public - in which the Government of Manitoba joined, with other provincial governments - did force a considerable shift by the Federal Minister of Finance in respect to his estate tax plans, there remains a strong public feeling that the federal estate tax provisions do not provide equitable or reasonable treatment for all citizens affected.

Furthermore, the Government of Alberta has in force, and the Government of Saskatchewan has given notice of its intention to enact, legislation to rebate the provincial share of revenue from federal estate taxation. This action by other provincial governments has placed Manitoba in a difficult position. The Government of Manitoba does not believe that it is the best policy to use estate tax revenues as incentives for retaining or attracting invest­ment capital in an interprovincial competition. The First Minister has expressed this firm view in this House. However, it is clear that we cannot leave our citizens in a position of disadvantage when we have the capacity to change that position by taking action comparable to 1hat taken in other Provinces.

Taxation of estates in Canada is a most complex and indeed confused aspect of fiscal policy. Some provinces levy their own succession duties. Others rebate their share of federal estate tax revenue. It would be far better, in the view of this Government, to leave the taxation of estates entirely in federal hands, in return for compensation for the Provincial Treasury in the form of increased income tax allocation to the Provinces. In those circumstances, estate taxation could be adjusted for uniform equity across the nation. The competition for economic advantage among the provinces could thus be avoided. It does not seem reasonable to have one large bureaucracy to collect a tax at the federal level, and then to hire more civil servants at the provincial level to give the money back to the same taxpayer.

Therefore, at the next federal-provincial meeting of the Ministers of Finance, this Government will press for the federal government to take over all responsibility for estate taxation in return for compensation to provincial treasuries through an additional federal income tax withdrawal. This would provide equity for all taxpayers in that the revenue surrendered by the Provinces would not have to be found through additional levies. The Government of Manitoba is fully prepared to make that arrangement with the Government of Canada, or in any event to make arrangements to put her citizens generally in the same position as citizens of Alberta and Saskatchewan in respect of federal estate taxes. A bill will be introduced at this Session to make possible such action. Therefore, the estimates of revenue for fiscal 1969 do not include any provision for receipt of a share of federal estate tax collections.

Other specific changes in taxation proposed will include the extension of the temporary exemption for granaries from December 31, 1968 to the end of the crop year, July 31, 1969, in recognition of the continuing difficulties being faced by the farm community.

We are also presently considering a reduction from 20 cents to 17 cents per gallon in the rate levied under the Motive Fuel Tax Act on propane gas to bring propane taxation more in line with taxation of comparable energy fuels.

GOVERNMENT PROGRAMMES

Against accumulating financial pressures, our programme activities have shown marked success in the past year. Sound planning and restraint have played a part in this. The development of Manitoba's human and natural resources has continued. The pledge by the Premier that progress would not be forfeit to false economy has been kept. Evidence of this progress is contained in the Economic Review appended to this Address.

In the education field, our improved foundation financing programme now covers over 90% of the public school enrolment and the 9 operating remote school districts. The balance of our educational assistance programmes covers the remaining enrolment. It is noteworthy that while enrolments have soared, our education grants have risen much faster. In 1969, the average Provincial grant per student is over four times the annual grant a decade before.

We have continued to emphasize vocational education. Our long term planning has been made more difficult by the federal method of allocating capital monies and by the uncertainties that still remain with regard to federal support for operating costs. In addition to those pupils currently enrolled in secondary level vocational courses, about 16,000 students will be trained in adult programmes this year. This is a significant proportion of the total work force in Manitoba and represents a considerable upgrading of skill and general quality. The Government takes special pride in the experimental work-education projects being undertaken in the Interlake Region. These projects, under the FRED and Manpower programmes, represent the fruits of successful federal-provincial co-operation. The response of our citizens directly associated with these programmes has been very favourable.

The three universities in the Province are also fulfilling vital tasks in preparing our young people for major contributions to our community. Furthermore, these institutions are playing an increasingly significant role in community development through research and advisory services. While university costs are high - grants will increase 19.5% from $36.6 million in fiscal 1968 to $43.8 million in fiscal 1969 - it is our belief that these expenditures bring benefits for Manitoba, not only for the next generation and those which will follow, but also for our own.

And there follows at this point, Mr. Speaker, another table which provides some financial information concerning education at all levels and combined totals, which my honourable friends can study when they see copies of this Address.

Our economic progress is broadly outlined in the appended Economic Review. It is important to emphasize the accomplishments of the programmes, under the Fund for Rural Economic Development Agreement, and our general satisfaction with the broader-based ARDA programme now approaching its final year. Some sixty ARDA projects were underway in fiscal 1968. Their total cost is estimated at $2.8 million. Recoveries from the federal government for these projects total approximately $1.6 million in the year. Under the FRED agreement, 22 programmes and 73 projects were carried forward in 1967 and 1968. During these first two years, expenditures comprising about $9.5 million of the original $85 million 10-year joint FRED commitment have been shared by the federal government and the Government of Manitoba.

It is essential that recent federal announcements in respect of a major alteration in regional development programmes be amplified in direct consultation between the federal government and the provincial authorities. A comprehensive FRED review is due at the end of March, 1970, and legislation has been introduced in Parliament which would discontinue the programme in its present form. The federal government, however, is committed to the FRED programme in the Interlake until 1977. The Government of Manitoba will expect the continuation of genuine negotiation for joint decisions with the federal government on all aspects of mutual concern for development in Manitoba. This has been promised by the federal Minister of the new Department of Regional Economic Expansion. The vital objective of balancing economic and social opportunity for all Canadians, wherever they reside in this country, can only be served by such real co-operation among their governments.

PROVINCIAL AID TO LOCAL GOVERNMENT

In the beginning years of this Province's history, the local authorities in the young community were given responsibilities of a purely local nature. Services tied closely to individual citizens - such as education, health and welfare - fell within this definition.

However, widespread economic changes have swept over Canada and the world since these beginning years. In the past three decades, the demands of individual and corporate citizens for public services, which had been classed in 1867 as of minor significance, and therefore of little financial consequence, have mushroomed to a degree that would have been considered unbelieveable at the time our country entered into nationhood. To meet these demands, provincial governments and their municipalities have moved into a closer relationship. This frequently has meant that the Province now participates more directly in the provision of these services at the local level - either by a direct transfer of the Service responsibility to the provincial level or by increased financial and organizational involvement.

The Government of Manitoba has indicated its intention to consult fully with local government people in its search for the most effective means of meeting mutual responsibilities. That is the prime purpose of the proposed Provincial-Municipal Finance Structure Committee.

The Government, in the meanwhile, has provided substantial new and increased aid to local government. This is essential for sustained progress. Only the rigorous control of Provincial programme growth has made possible this increased support, with a balanced Provincial budget. Curtailment of development cannot be continued indefinitely. As I have noted previously, the added support for local government accounts for the entire 5% increase in the expenditures for 1969-70 over the total now expected as final for 1968-69.

It is true that these expenditures fall short of the levels that we would hope eventually to be able to provide, but they represent the maximum possible commitment under present financial circumstances.

A comparison of the increase in Provincial assistance over the past eleven years will reveal the extent to which we have undertaken more and more service responsibilities in areas which had traditionally been financed and administered locally. The following table indicates the wide range of direct and indirect Provincial support for local government and shows clearly how this support has broadened in the past decade. The form of this table is also familiar to the honourable members who have seen Addresses in recent years.

Over 50% of our estimated total revenues will continue to be allocated in the next fiscal year for assistance to local taxpayers and for services most directly contributing to community life.

It is obvious that the range of Provincial aid to local progress is very wide. Much is practical and direct, offering cost savings to municipalities through pooled administrative and planning facilities.

In a wider context, Provincial programmes for health, social services and transportation greatly assist local governments. A sizeable increase in our transit grant to the Metropolitan Corporation of Greater Winnipeg is being proposed at this Session. The education foundation programme will be shared further this year, with Provincial support rising to 70 percent from 65 percent. With this improved Provincial support, we have continued the orderly transfer of a growing portion of education costs onto the provincial tax base. Under this programme, we have been able to guarantee a high basic standard of educational service and, at the same time, to allow room for flexibility - latitude in programme content, for example – among the diverse school divisions of our Province.

CONCLUSION

Eleven years ago, this Government took on the task of bringing the quality of life in this Province to the level which its citizens, as Canadians, were entitled to expect. This is an objective that must always be before us. Full opportunity is an elusive goal. It does not stand still. This Government is proud that it has helped our citizens to gain and hold a favourable position in the nation. This objective has been supported by our determination to avoid tax increases in these times of high cost and heavy burdens on our public. We have managed in Manitoba to balance the Provincial budget and yet hold the tax line. Few other jurisdictions can make this claim. It will not be an easy task to maintain this balance in future. Every effort will, however, be given to that end.

Our Province's basic economic structure is modern, strong and growing. Our plant and equipment are drawn increasingly from the best and the latest available. Our work force is one of the most able on the continent. These factors are already contributing greatly to development. As yet, however, our size and the revenue resources of our community are still limiting conditions. The cost of the services expected of us by our citizens are now at levels dangerously close to the maximum amounts which we are capable of providing from present tax sources and financial arrangements with the Government of Canada.

It is our hope that the national government will give greater recognition to these problems and agree to a more equitable sharing of revenues in order that we may meet the reasonable present and future demands created by responsibilities to our citizens. If the Government of Manitoba is to fulfill its responsibilities to, the people of this Province, it must make tax equity a first priority. We argued this point at the Constitutional Conference - with considerable support - and we continue to believe that it is paramount. Financial problems both in the immediate sense and in the fundamental constitutional sense, are foremost threats to Confederation. Only if these problems are resolved can the people of Manitoba make their full contribution to the development of Canada. We, as the level of government most directly responsible under the Constitution to meet the basic social and economic needs of the citizens will be pressing for resolution of these problems in consultation with the federal partner and in co-operation with our local governments. Above all, we will continue to need the support of our citizens. To them our commitment is inescapable; the basic needs of this community will continue to be the first charges on the Provincial revenues in Manitoba.