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Budget Speech

Mr. Speaker: For the third time I rise today to present the annual motion of supply. In doing so, I would first like to offer my personal welcome to the two new members (for Kings, who have greatly contributed to our deliberations thus far.

I would also like to extend my compliments to all those who have participated in the debate on the speech from the throne, and in so doing have displayed well those abilities which make them admirable and effective representatives of the people of New Brunswick.

Particularly, Mr. Speaker, the mover and seconder of the address in reply to the throne speech are well deserving of special praise; their knowledge and understanding of the problems confronting New Brunswick at this crucial stage in its development are unsurpassed, and it is indeed fortunate that such men are present in the Legislature at this time.

Furthermore, His Honour the Lieutenant-Governor must be complimented for his most effective presentation of the government's legislative program; and you, Mr. Speaker, are to be congratulated for the way in which you guide the deliberations of this assembly, a role which is, indeed, Sir, a cornerstone of our system of democratic government.

And finally, Sir, I must for the third time pay (tribute to the Leader of the Opposition, a worthy opponent and a man ably equipped to undertake (the responsibilities which now have been formally given to him by his party. At (this time I must express to him my own personal good wishes and compliment the people of his party for their wisdom in selecting a man of his calibre to represent their interests in this assembly.

Also, Mr. Speaker, at this time I wish to welcome the Financial Critic back to this assembly. I think it only fitting that he should have chosen this particular day to return, for after the past 11 years a budget address without his presence would seem most inappropriate.

MESSAGE IN FRENCH

À un moment de notre histoire ou on accorde une attention particulière aux problèmes culturels du Canada dans l'état actuel de son évolution, ce m'est un honneur de représenter en cette chambre, avec man collègue Monsieur Rbichaud, la cité bilingue de Moncton. En conséquence, c'est pour moi un honneur autant qu'un devoir de présenter une partie de ce discours sur le budget en français.

Je suis heureux de pouvoir affirmer que ce budget, tel que présenté, se fonde sur une mesure grandissante de prospérité, une augmentation de l'emploi et des perspectives plus vastes, grâce à un rythme d'expansion rapide.

La ligne de conduite du gouvernement au cours de l'année qui vient de se terminer fut déterminée en fonction de tels objectifs et il me fait plaisir de souligner que le présent budget préconise une politique également expansionniste. Voilà, Monsieur l'Orateur, la note dominante de mon discours.

ENGLISH TRANSLATION

At a time in our history when special attention is focused on the cultural problems of Canada in the current phase of its evolution, it is an honor for me to represent in this assembly, along with my colleague, Mr. Robichaud, the bilingual city of Moncton. Accordingly, it ds an honor as well as a duty for me to present a part of this budget address in French.

I am happy to be able to state that this budget, as presented, is based on an ever-expanding measure of prosperity, a rising level of employment and better opportunities, due to rapid economic development. Government policy during the past year encompassed the achievement of these objectives and it gives me great pleasure to underline that the present budget forecasts an equally expanding economy. That, Mr. Speaker, is the keynote of my address.

Before proceeding, Mr. Speaker, I feel it incumbent upon me to publicly recognize the loss of one of New Brunswick's foremost public servants. Col. M. C. Buchanan was a charter member of the Civil Service Commission, a man with an impressive military career, and a participant in public life at all levels. I ram certain, Mr. Speaker, that all hon. members of this assembly will join with me in full recognition of this loss to both the public service and his community, and in a sincere expression of our condolences to his family.

Today I am presenting to this assembly my third budget. In each of these, it has been my privilege to outline -to 'this house and to the people the arithmetic results of government administration. However, I have felt that these budgets have doing more than this. In fact, each presentation, including the present one, has outlined clearly defined objectives of government policy far all to see. As I outlined last year on this occasion, the (budgetary (requirements of government must inevitably, as we see it, meet the following requirements, and I quote:

"First, it should be a budget which would maintain (the current level of health and welfare services, as well as those other types of services which are normally expected of the government in various fields such as agriculture, labor, municipal affairs, etc.

"Secondly, it should do nothing to act as a short-term deterrent to the type of economic expansion which is anticipated during the coming fiscal year; and thirdly, it should make a significant contribution to providing the type of long-term environment necessary to stimulate the rate of economic growth."

During the past year, the prime emphasis of government policy has been focused on the third of these objectives — that of providing the kind of environment to induce faster rates of economic expansion in the long nun. As a result of this emphasis, health, "welfare and education areas have not been so widely expanded and (the government has concerted its efforts in an attempt to expand what the economists call the "infra structure" of the economy. To the uninitiated and to the un-concerned this may mean little, but to the people of New Brunswick, in terms of their future well-being, this means a great deal. Accordingly, government policy in the past year has been concerned, and nightly so, with the pro vision of adequate transportation and communications systems, with the development of necessary supplies of electrical energy, with the stimulation of scientific and industrial (research, and with all those matters which are directly and indirectly related to the long-term improvement of the environment for economic growth in this province.

These considerations are not entirely local in nature, but (rather are shaped by the inevitable forces of developments of both the national and international level. New Brunswick has reached a stage in its development where it can no longer afford to ignore the existence of such forces and influences and, by so doing, develop its policy on the basis of purely local considerations. To do so would (be merely to perpetuate our position as a jumping-off point (to the nest of Canada and as a mere peripheral concern in the national context.

We have felt that it was our task to remedy this situation, and we have accordingly developed the policies to do so. Thus, budgetary policy SOT the earning year, as in the past two yeans, has been developed only after a full assessment of those national and international forces which are molding the future of this province and its people.

During the past year, Mr. Speaker, the national scene has been characterized by political instability at the national level, economic growth, and national policies which reflected the decreasing confidence of foreign countries in both the Canadian dollar and Canada itself. Obviously, such factors cannot be ignored in the development of policy by any provincial government.

The general attempt to develop more integrated areas of inter national trade, the increased awareness of both eastern and western countries of the need for lower trade barriers as a means of international economic communication, and the rapid emergence of South American and South African countries from both political and economic colonialism, point to the urgency of a Canadian reaction which is designed, not to oppose, but to recognize and exploit such events in the interests of bath the Canadian people and our friends abroad.

Given -the combined magnitude and influence of the ten provincial governments, it is inconceivable that Canadian policy and reaction to such international events can be merely confined to those policies developed by government in Ottawa. The provinces, both collectively and individually, have a role to play which is unparalleled in the history of this country.

Collectively, the provinces must develop the means whereby provincial policies may be coordinated, so that the combined weight of both federal and provincial policy may be brought to bear in meeting the needs of the nation.

Individually, each provincial government must develop policies which recognize, in addition to its role in the nation, its role in the western world. No longer can we in New Brunswick afford the luxury of sitting back idly whale waiting for the federal government to solve our problems; this is no longer enough, for we have reached a stage in both provincial and world developments where our problems can no longer be solved in Ottawa. On the other hand, we must look to Paris, London, Washington and Western Europe, as must the rest of Canada, if this nation is to survive and prosper during the decades to come.

Accordingly, Mr. Speaker, provincial policy has been developed on the basis of such an outward view of bath provincial and national problems. We have attempted to form a relationship 'with other countries which will enable the New Brunswick economy to expand at a rate which is geared to their expansion. We have been criticized for doing so; we have been criticized for developing economic relationships with the Italians, for example.

The answer to such criticism lies in a simple examination of the statistics. The economy of Italy and the rest of the European Common Market has been expanding at a rate several times that of 'the rate of national economic growth in Canada, and as long as our economy in New Brunswick is completely related to that of the nation our rate of economic growth is not likely to exceed the national rate. We are driving to avoid this and to develop policies which will permit us to participate in the economic expansion which is now occurring in many other countries.

As I have indicated before, these are long-term objectives, and nothing must be permitted to interfere with their implementation.

Notwithstanding a program of so-called "austerity" at 'the national level, this government's long-term objectives are being continuously pursued. Also, notwithstanding the failure, to date, of Britain to obtain entry to the European Common Market, the government's long-term objectives in thus area are being actively pursued.

These, then, constitute the basis upon which the budget for the forthcoming fiscal year has been developed. Such a basis suggests, in terms of policy, that immediate and short-term considerations must inevitably be ignored, to enable the long-term measures to be implemented which will enable both the economy and the New Brunswick people to become increasingly more competitive within the framework of international developments as we currently see them.

In other words, Mr. Speaker, the budget being presented this afternoon presents merely the second phase in the government's program to achieve these ends.

As all hon. members will agree, the economic environment in which New Brunswick finds itself is not completely of our own making. The national and international economic forces which rare exerted continuously on the province cam only be predicted, not controlled. Accordingly, it is now my duty to undertake to provide a forecast of the economic base upon which the government's fiscal program for the coming year must rest. This is an annual task, and it will be recalled that on this occasion a year ago I suggested that, and I quote:

"We are accordingly looking for a substantial improvement in the New Brunswick economy during the coming fiscal year. By substantial I mean an annual rate of growth which wail equal, if not surpass, anything that this •province has ever seen. This improvement is already in evidence."

I am pleased .to report, Mr. Speaker, that this forecast, although somewhat conservative, was entirely accurate. As forecast, a major portion of this growth has resulted from the fact that 1962 was a year of substantial growth at the national 'level.

The increase in the gross national product was much higher than most forecasts, including our own, made during the preceding year. Over the first three- quarters of the year the increase in the gross national product was 7,8 per cant higher in 19fi2. This would mean that on an annual basis the gross national product in 1962 was approximately eight per cent higher than 1961. In dollars, this would 'indicate a gross 'national product of approximately $41 billion fox the year compared with 37.9 billions in 1961.

As was forecast, the factors which contributed to 'this relatively high rate of economic expansion revolve around the expenditures of government, and the increased confidence in the potential of the Canadian economy as indicated by investment outlays in the private sector. This took the form of an increase in the number of housing starts during the year, and an increase in business spending which promoted a rapid rise in the accumulation of inventories in the private sector.

As a result of these factors, total industrial production at the end of 1962 was some five per cent above the corresponding period of 1961, and as high as 11 per cent at adjusted rates. Manufacturing production of durable goods and mining were the areas where the strongest increases occurred, while non-durables tended to taper off in the second half of the year.

In keeping with this substantial rate of growth in total output, the level of employment in Canada has continued to rise and the unemployment ratio has been contained at a level below 1961. However, this should not obscure the fact that the labor force over the year has also substantially increased.

This sustained level of high employment, the increase in wage rates, and an atmosphere of general expansion in business activity have combined to facilitate a moderate increase in consumer spending. This, of course, has been reflected in a rise in the value of retail trade.

However, the major factor in the current high level of economic activity has been the rather rapid expansion of exports to our customers abroad. The total value of exports in 1962 is estimated at some eight per cent over levels achieved during the previous year.

It is important to emphasize that these comparisons are on a dollar value basis and, accordingly, line devaluation of the Canadian dollar was most instrumental in the upsurge in Canadian exports.

A second major factor which has promoted the degree of expansion attained in the Canadian economy during 1962 is attributable to the rate of economic growth which has occurred in the United States.

Because of Canada's dose relationship .with the United States, experience there is always a most important factor in the degree of prosperity attained in this country.

However, aside from this, there are two (important occurrences in the United States that deserve most careful attention at this time. The first obviously encompasses the proposal by the administration to reduce taxes, while the second 'is related to the Trade Expansion Act now under consideration.

Bath measures are aimed at breaking through the retarded rate of economic growth which has characterized the United States economy over the last few years. The speedy recovery of the European economy and subsequent stiffening of competition in foreign trade are the major factors calling for new measures to prepare the United States economy for continued competitive existence.

These measures are clearly important to the United States economy, but they are equally important to the Canadian economy, in two ways. First, if they tend to promote a fester rate of economic expansion in the United States, then this indicates a more rapidly expanding market for our exports. Secondly, these measures, particularly the Trade Expansion Act, offer to Canada a very great opportunity to 'participate with the rest of the western world in the gradual lowering of tariff walls and associated barriers to the free movement of commodities internationally.

This is no mere judgment or opinion, it is: the result of an analysis of the facts.

First, about two-thirds of Canadian exports to the United States which are at present subject to duties, fall into the category on which the United States tariff is five per cent or less — these are eligible far elimination under the Trade Expansion Act.

Secondly, of the remaining one-third, about $150,000,000 worth of Canadian exports may be covered by the joint 80 per cent of world production provision between the United States and European Gammon Market under which tariffs cam also be eliminated.

Thirdly, this leaves only $350,000,000 worth of present Canadian exports to the United States that are not eligible for tariff elimination. These commodities, however, stand to have their tariffs out by some 50 per cent in exchange far reciprocal concessions.

Although there are a number of limitations to' the extent to which Canada can benefit from the implementation of the Trade Expansion Act, there are substantial and far-reaching opportunities fox this country to adapt its economy to the increasingly competitive world of international trade.

If the Act is effectively put into practice — and there is every indication that it will be — Canada could well, obtain access to markets which would free it from the competitive disabilities inherent in the present confinement to a small Canadian market. This has very obvious implications for the continued development of New Brunswick manufacturing.

This buoyancy in the Canadian economy during the past year has assisted the New Brunswick economy in the direction of providing both stability and growth in the key sectors.

The employment level in 1962 was slightly higher than that of the previous year, and there was a most encouraging sign in the appreciably reduced degree of the seasonal fluctuation in employment. A stepped-up winter works program by the government undoubtedly contributed to lessening both the level and degree of unemployment during the past winter.

This increased level of employment has dearly contributed to the higher level of consumer spending

in the province, generally reflected by a 2.5 per cent increase in retail trade and a 7.2 per cent increase in the volume of insurance sales during 1962.

On the production side, the primary industries of the province displayed considerable strength during the past year. The production of sawn lumber and pulpwood in 1962 registered impressive gains of 10.1 and 8.4 per cent respectively. This has been largely due to the consider-ably expanded volume of exports of paper and wood products into the United States.

The pulp and paper industry itself in 1952 produced 3.2 per cent more than 1961 and generally attained the highest level of output known in this province's history.

The fishing industry shared the general growth, in that landings rose by nearly 40 par cent during 1962 and the value of total output averaged nearly 20 per cent higher than was the case in 1961.

In addition, the value of mineral production rose by over one third, and for the first time in several years farm cash income increased slightly.

Substantial progress was also made in the construction industry during the past year, primarily tin the field of housing construction. The number of housing starts in 1962 was over 11 per cent higher than in 1961, while those units under construction at year end were some 25 per cent above the level for the previous year. This improvement in housing construction was a major contributing factor in the modest reduction of the seasonal fluctuation in unemployment during 1962.

Mr. Speaker, I do not wish to bore the members of this assembly with a lot of detailed statistics pertaining to the results of the performance of the New Brunswick economy during the past year, but I do feel it is incumbent upon me to present to this assembly the true facts at this time. There has been, in any way or another, a great deal of discussion about the New Brunswick economy — and most of it quite misleading.

One member described the economy as being in a "deolorable" state, and another suggested that the levels of housing construction, pulp and paper production, farm cash income, and capital investment had all declined during the year.

In fact, each of these indicators increased by 11%, 3.2%, 0.3% and over 6% respectively.

As I have consistently emphasized in the past, the prospects for the New Brunswick economy can only he considered within the framework of national and international economic /trends. Local events do, however, have an important impact in determining the rite of growth once (the direction has been established. In fact, these events will be of strategic importance in the development of the economy during the coming fiscal year.

Our present view, then, suggests that the current national economic expansion will continue during the coming fiscal year, but at a moderated pace. There are a number of indications that this moderation has already commenced.

In this regard, there is some dis-agreement between the most respected forecasters, and a few have already shaded the period since October 'last as a mild recessionary period. I must say, Mr. Speaker, that I cannot share this latter view.

Our judgment seems to be reasonably consistent with the economic trends now developing in most countries of the western world. In the United States, for example, President Kennedy's economic report described the outlook for continued moderate expansion as favorable. For 1963 he forecast an increase in the gross national product of approximately four per cent, a forecast which is shared by most of the more reliable private forecasts in that country.

Such a reduced rate of growth in the United States has its obvious implications for the prospects of the Canadian economy during the year, with the main one indicating that any major expansion in Canada art this time would inevitably have to be the result of large increases in domestic demand. To expect such large increases would be most un-realistic, but a number of factors do indicate a rising level of spending during the coming year, along with the associated increases in the level of effective demand.

While the export factor is likely to increase ait a slower rate, the total expenditures of government at all levels are expected to increase at an accelerated rate and will provide a major source of the anticipated expansion. The anticipated upswing in consumer spending began during the past year and is expected to continue at least for most of 1963.

These factors should combine to produce a rate of economic growth during 1963 of somewhat more than half the rate achieved during the past year. This would indicate that the gross national product should rise by some 4-1/2 per cent, or to over $43 billion on a seasonally adjusted basis.

This magnitude of growth at the national level will ensure a continuation of the current expansion of 'the New Brunswick economy. However, it cam reasonably be expected that New Brunswick's mate of growth will be considerably in excess of the irate achieved by the country as a whole. I must stress, Mr. Speaker, that this is not merely wishful thinking, but is nattier based on a detailed analysis of existing trends in capital investment in this province.

For the year 1962 the primary industries were expected to spend some $21-1/2 million on total capital outlays and, since conditions have not changed significantly in this area during the year, it is reasonable to expect that this amount of investment has been carried out.

This is particularly true since the Brunswick Mining and Smelting project is well underway and is being carried out as planned, but ahead of schedule. A substantial part of this expenditure wall be carried forward during the current year and it is (therefore reasonable to expect that the level of capital spending -will more than exceed the level achieved in 19S2.

In manufacturing, the amount of total new investments anticipated for 1962 was estimated at $21,000,000 and, tin looking back over the years, this would appear to be a minimum under reasonably normal conditions. Therefore, the two major industrial projects in the pulp and paper industry at South Nelson and Saint John will in themselves nearly double the total capital outlays anticipated in the manufacturing industry during 1963.

Capital spending by utilities and that related to trade, finance and commercial services should be about as forecast for the year 1962 and will probably be continued ait the same level dining 1963.

It is also expected that housing outlays in 19 S3 should not be significantly different from 1952 and should therefore be somewhat in excess of $30,000,000.

Another major area of capital spending — that by governments and institutions — 'is not likely to be substantially higher than the level achieved during 1962. It should be noted that the federal austerity program has had the effect of restricting federal capital expenditures to some extent, but this has been Largely offset by high levels of spending by institutions and by the other levels of government.

Summing up these various estimates for the year 19S3, total capital spending in the province is estimated it a Level substantially higher than 'any obtained in recent years. During 1962 new investment 'in the province was over six per cent higher than 1961 and it is felt that 1963 should see an increase in excess of 15 per cent to a level which will equal, if not surpass, the beat years on record.

This level of capital spending, when combined with other actors operating in the economy, will generate the highest levels of income and employment in this province's history during the coming year. While it is expected that the national economy will be expanding art; a rate moderately lower than 1962, the rate of growth for New Brunswick should be substantially greater than was the experience over the past year.

It is on this basis of economic growth and generally rising levels of income and employment that the budget for the corning fiscal year has been prepared.

In the financial sense, the budget will be a reflection of these trends. In the broader economic sense, however, the budget must, as I have consistently emphasized din this house, Mr. Speaker, reflect some-thing more than the year-to-year requirements of government in an expanding province. It must reflect not only the allocation of resources which, the government proposes for the present, but also must initiate the spending programs designed to equip the economy and its people for the kind of environment which they will face a decade hence. The need for such an approach is inherent not only in the planning of social and economic policies, but in those related to government administration as well, and I submit that the government's program for the coming year meets these requirements.

Before turning, Mr. Speaker, to a review of the current year's activities and an outline of the government's program for the coming fiscal year, I draw to the attention of hon. members the fact that the Public Accounts for -the fiscal year ended 31 March 1962 have been tabled.

These accounts, which represent the final results of the government's activities during that fiscal year, indicate a modest deficit on current account and an increase in the net debt of approximately $7-1/2 million. This approximates reasonably well the net debt increase which I forecast when outlining the operations of the government for the year 1961-62 in my budget address a year ago, -and you will recall, Sir, that I outlined in some detail the circumstances which had brought about such a situation.

I do not propose to undertake a detailed analysis of the development of the government's spending program during the current fiscal year; this is more appropriately undertaken by the ministers responsible for the various phases of this program.

However, in view of the importance and significance of several of these activities, and because of their budgetary implications 'in both current and future years, a number of these developments are worthy of consideration at this time.

A year ago, Mr. Speaker, I expressed considerable concern over the rates of growth in some of the expenditure programs which have traditionally been a part of the accepted spending activities of any administration.

Aside from health, and public works, which I commented upon in some detail at that time, the same pattern of rapidly accelerating expendiituiries is evident in almost every facet of governmental spending today.

It takes no detailed analysis to isolate these areas of growth, and it takes little statistical sophistication to protect these trends to their ultimate conclusion at some stage in

the not too distant future. For example, Mr. Speaker, in the last three years since 1960, expenditures in the field of education, not including anything significant for higher education, have increased by over 30 per cent, and this rate will be larger in the next three years.

In the welfare field, the total expenditures of the Department of Youth and Welfare have increased by some 50 per cent, and the expenditures associated with the Department of Industry and Development have nearly doubled since 1960.

The same type of pattern is characteristic of the activities of most of the departments of government and it now appears that the government has become the focal point for 'the conflicting demands of social security and economic prosperity.

As a result, Mr. Speaker, every government in Canada is faced with the problem of attempting to control the rate of growth in its budget. While at the same time attempting to maintain and improve levels of existing services which apparently must be provided in any modern society. This involves, inevitably, some painful decisions, but they nevertheless must be made.

In Canada, this problem is further compounded by the existence of three levels of government, all of which are pursuing the same expenditure areas in one way or another. This produces an unenviable situation on which no one government can make the necessary decisions in a manner unrelated to the activities of at least one, and some-times two other governments which, are operating in the same field.

In June of last year it was my privilege to present, on behalf of the government, a brief to the Royal Commission on Banking and Finance. In this submission it was suggested that the upward pressure on government spending has largely resulted from the combination of three factors, and I quote:

"First, those responsibilities allocated to junior Levels of government have been more susceptible to the large increases in population and price levels which have occurred. This has resulted in continuously rising expenditure levels, even without the expansion of services into new areas.

"Secondly, the involvement of the Federal Government at the national level in areas previously considered the responsibility of the provinces, has added considerable impetus to the development of new and/or expanded programmes geared to national needs. This has resulted, primarily in the health and welfare fields, in a proliferation of national programmes on a shared-cost basis which now bulk large in all Provincial Budgets.

"The third factor is not unrelated to the first two and involves essentially a rising demand on the part of Canadians for both more extensive government services and services of higher quality."

That is the end of that section of the presentation.

As was also Indicated to this royal commission, the province of New Brunswick, over the years, has not attempted to provide levels of services higher than prevailing national levels, and has had some difficulty in even meeting the minimum standards established for such services. As a result of these trends, any government has only two alternatives — either to tax or borrow.

Effectively, at the present time there seems to be even little choice between these two alternatives. As has been pointed out in government briefs to the federal government in 1957 and to a federal royal commission in 1962, the burden of taxation .in New Brunswick is exceeded in only one other province in Canada, and that one exception is much more apparent than real.

One of the reasons fox this situation lies 'in the determination of government at the federal level to move into areas of spending beyond its jurisdiction, while at the same -time refusing to make similar adjustments in regard to the allocation of national taxation revenues. This tendency has developed to the point where today there is not a single government department which is not subject to the influence of one federal program or another.

I must emphasize, of course, Mr. Speaker, that almost without exception these federally developed spending programs play an important role in providing an adequate level of services to the people of New Brunswick. At the same tone, however, they do impair the ability of the people of New Brunswick to fully determine how their own requirements are going to be met and -the manner in which they are to be financed.

There are numerous reasons, which are almost fully shared by the majority of Canadian provinces, why these shared-cost programs should be altered in order to more fully reflect the concept of government at (the provincial level. However, one of the most striking of these came to light during the current fiscal year when the government of Canada, in an attempt to solve its budgetary problems, implemented the so-called ''austerity" program.

To a significant extent, Mr. Speaker, this federal government austerity measure was passed, through the channel of shared-cost agreements, along to the provinces.

In many cases, the province was simply told that federal money available for programs which had already started would be confined to a level less than that previously authorized. This meant that the province could either curtail the program or would be forced to finance a portion of the federal share. In many oases, with the program already in the process of implementation, the provincial government was farced to pay the federal deficiency. In other cases, when a program or project 'had been completed and -the provincial claim on the federal treasury was presented, this claim was approved, but the province was simply told that funds were, and I quote:

"insufficient to permit immediate payment of all claims accruing and accordingly, as a temporary expedient, an interim payment of 30% is being made at this time. As further funds become available additional payment will be made." In the case of one type of program alone, the province is currently in a creditor position relative to the federal treasury to the extent of a quarter of a million dollars on projects which have been not only completed, but approved.

In themselves such practices are to be considered deplorable and totally inconsistent with the aims of the austerity measure itself. However, the very fact that they are possible under a system of democratic government fully reflects the existence of machinery which tends to impair the ability of a government to make its own decisions in a manner consistent with the needs of its people.

In response to these pressures, the government has attempted to reallocate its resources to reflect changing circumstances, but this has not been fully possible,

In. the field of health, during .the current fiscal year, we have been again faced with increases in costs which far exceeded our most generous forecasts. For the hospitalization plain, itself, we had estimated that the annual increase in 'hospital costs could be confined to approximately five per cent over the previous year; now that the fiscal year is drawing to an end the effective increase over 1961-62 will be substantially greater than five per cent.

In this connection, I made a number of comments relative to the cost of providing this service in my budget address a year ago and, Mr. Speaker, I see no reason to alter the substance of those remarks on the basis of the experience of an additional year's operations.

Mr. Speaker, the government's continuing budgetary aims consist of maintaining current levels of health and welfare services, of developing more modern and effective administrative techniques designed to reduce administrative costs, and the broader aim of initiating sound policies to achieve some fundamental solutions to the economic problems confronting the province.

My earlier remarks pertaining to the performance of the economy indicate a fair measure of success in this latter regard, and the reports by various of my colleagues on the activities of their departments have testified to the achievements of the government in maintaining and improving both the quality and level of services provided in a wide variety of fields.

On the administrative side, the objectives of government policy which I have outlined previously have been given careful study over the past few months and accordingly, effective April 1 of this year, the following changes in financial administration procedures will become effective.

First, the accounting system has been fully examined and new systems have been developed to provide for the imposition of commitment controls ion the bulk of government spending which, together with more centralized and highly mechanized accounting procedure, will have the effect of providing greater flexibility, as well as control, in the spending of those funds appropriated by 'the Legislature each year.

Along with this, the estimates before the house for the fiscal year 1963-64 have been presented in a manner to ensure consistency with the mew accounting and control procedures.

Secondly, legislation will be introduced shortly to provide for the function of Auditor-General, so that the Legislature may be assisted in its annual scrutiny of government spending in a manner quite similar to that now in effect ait the federal level. Together, the provision for an Auditor-General plus the associated modernization of the accounting system, along with the development of the Treasury Board as a policy agent in government, will considerably improve the process of government administration.

In addition the government has considered a wide variety of means by which better relations can be established between the government and its employees. Among these are included a number of experiments designed to improve the remuneration which employees receive when travelling upon government business. Furthermore, the Treasury Board has been giving careful consideration to a number of alternative systems whereby employees of the government could be provided with the benefits of a shared system of insurance coverage.

These, and similar problems, have been basically a responsibility of the Joint Council a group composed of representatives of 'both the government and government employees — and it is hoped that this group wall continue to assist the government in its aim of developing the best of relationships with its civil servants.

At this time, Mr. Speaker, I feel it most necessary to express publicly my thanks and appreciation to all of those employees of the government who have so ably assisted in the implementation of government policies designed to bring about the best possible type of government administration at the least possible cost to the taxpayer.

For the current fiscal year we are providing for revised revenues somewhat in excess of those forecast in the budget approximately a year ago. A number of such increases on the revenue side of the budget are totally related to increases in expenditure which are associated with the various shared-cost programs with the federal government.

For the remainder, however, which constitutes the bulk of the anticipated increase of some $2.3 million in revenue over the estimates for the current year, two major sources are involved. First, revenues from Canada which were estimated at 38.6 million under the new arrangements are expected to provide approximately $700,000 more than this amount.

This increased amount is derived from two factors. Included in this $700,000 is an amount approximating one-half million 'dollars which the province receives during the current fiscal year, but which is fully and totally attributed to the arrangements relative ito .the fiscal year 1961-62.

In other words, if the 1961-62 accounts of the province were not closed, the figure of 39.3 million would have been reduced in the current year to a figure only some $200,000 above that which was provided in .the estimates for the fiscal year 1962-63.

This $200,000 increase is entirely related .to .the -fact that .the national economy grew ait a rate in excess of that which was anticipated by either federal or provincial forecasters.

Secondly, as a result of the distribution of the rates of economic growth which occurred during the current fiscal year, it has been possible to increase local revenues from such sources as the New Brunswick Liquor Control Board and tobacco and sales taxes by very modest amounts —aggregating less than half a million dollars in total.

The other major area of increased revenue in the revised estimates is related to revenues from gasoline taxes. As I indicated a year ago, we encountered considerable difficulty in estimating revenues from this particular tax source, but this difficulty was compounded by the devaluation of the Canadian dollar very shortly after the fiscal year had begun.

This devaluation has been most successful in effectively increasing the price of gasoline in United States border points relative to prices in New Brunswick. As a result, the province has experienced a much more than normal increase in revenues from this particular source.

The main portion of this revenue increase has, by necessity, been allocated to cover the substantial increase in spending related to the hospitalization plan and that related to the increased cost in servicing the public debt. These two areas, plus increased wage costs, involve an estimated over expenditure of more than $2,000,000. To the extent possible, the remainder of the overrun on revenues has been allocated to those areas of spending which public policy has dictated should expand ait faster than the normally accepted rates.

Accordingly, Mr. Speaker, we have incorporated in our provisions for the current fiscal year an estimated deficit on current account slightly in excess of that forecast in the budget speech a year ago. It would have been quite possible to have eliminated this eventuality, but it was felt that the alternative of reducing public services would have been much less acceptable, both to this assembly and to the people of the province.

Therefore, we developed the judgment that the broad public interest necessitated a continuation of public spending along those lines which were forecast in the budget address a year ago and that, consistent with this, the contingent requirement to (finance such spending by borrowing seemed not only necessary, but desirable.

And new, Mr. Speaker, I turn to the government's program for the forthcoming fiscal year. Given the government's budgetary objectives, which I have outlined to you both

today and in previous budget addresses, and given the course of events both nationally and inter-nationally within which any budget must be formulated, the budget for the fiscal year 1963-84 is presented within the framework of the economic projections which I have outlined.

As I have also indicated, the prime requisite in budgetary policy has been to develop a spending program which is designed to meat fully the requirements of the New Brunswick economy, both for the immediate future and for the decades yet to come. This has been .the foundation on which government spending has been developed for the forthcoming fiscal year.

The government's program for the coming year encompasses these same policy objectives and, as well, involves a judgment as to the best means of carrying out this program.

As in any year, a number of alternatives were available to the government with respect to its budgetary policies. Revenues have been estimated, based on the growth rates outlined earlier, and expenditures could be tailored nicely to this level. However, doing so would have involved the reduction of services, since normal cost increases in a few areas are about equal to the anticipated rates of economic increase.

Another alternative would have been merely to curtail any expansion in services and thus apply revenue increases to existing programs only. This would be difficult since salaries alone constitute some 15 per cent of the total' budget, and this cost is {rising ait a rate over five per cent per annum.

For example, salary and wage costs with increase by approximately $2,000,000 in 1963-64 as compared with the present year. Furthermore, the pursuit of such a policy would mean that no funds would be available to initiate those programs which are of urgent necessity in preparing the province for the competitive pressures of the modern world.

From the estimates, Mr. Speaker, it is clear that provision is being made for a continuation of all departmental programs during the coming fiscal year. The government's capital program includes provision for the continuation of the highway construction program as well as provision for the construction of the Chatham and Doaktown bridges. Furthermore, it has been necessary to provide for the construction of a new Teachers' College in Fredericton as a result of the planned implementation of the two-year teacher training course.

In order to maintain the full force of its budgetary objectives, the government has chosen a somewhat middle course for the coming fiscal year. Existing programs in the health and welfare field are being maintained and, in the case of Mothers' Allowances, are being expanded to correct an injustice which 'has prevailed for many years. Payments of this type have been the lowest of any in Canada, and it was felt that immediate remedial action should be taken.

In other words, existing services are being maintained, both as to quality ,and quantity, and a number of new programs are being introduced. Such programs are designed to assist, in the long (run, either the alteration of the structure of various sectors of the economy or the improvement of present competitive positions. Examples of this are contained in the estimates of the Departments of Agriculture and Lands and Mines and will .be outlined in more detail by my colleagues as the budget debate proceeds.

However, in addition to these adjustments, several other major decisions were necessary if the government's long-term objectives were to be met. Over the decades, the major resource of this province has been its people, and New Brunswickers have contributed greatly to the development of other provinces and of the nation. This is not likely to change in the foreseeable future. The 'province's material resources will be developed only to the extent that its human resources are equipped to undertake the task.

Accordingly, the government's judgment insisted that every effort be made to assist New Brunswickers to obtain those skills necessary to enable them to participate fully in the economic development of the province. To toe extent that this is possible involves merely an investment in the potential Of the province, through an investment in its people. This, Mr, Speaker, is an investment worth making, and one which cannot be delayed.

In substance then, I am suggesting that New Brunswick cannot afford to delay any longer those expenditures necessary to equip it to compete in a highly competitive world. In the short run, it would be easy to yield to .the financial pressures of a balanced budget and defer expenditures designed to improve the knowledge of our industries and people. It would be easy, but it would be foolish.

As a result, we are prepared to proceed with these programs, and we are prepared to borrow to do so. At the same time, Mr. Speaker, it is fully recognized that borrowing cannot go on forever, but must be considered only as a shout-term means of financing policies which cannot be deferred pending a balanced budget. Before outlining some of these policies, I feel it incumbent upon me to speak very directly about the purely financial aspects of the situation at this time.

During the first two fiscal years of -this administration's responsibilities, the net debt of the province increased by over $16,000,000 and this will have exceeded $20,000,000 by the end of the current fiscal year. Although I cannot accept full responsibility for expenditure trends dux-ding the fiscal year 1960-61, because many commitments were made prior to July 12, I must accept full responsibility for the situation as it now exists. This, Mr. Speaker, I am fully prepared to do, and I make no apologies for it!

There is nothing magic in a balanced budget — a budgetary surplus is aiot inherently good, and a deficit is not inherently evil. If the latter were the case, then every government an Canada, and in .most of the United States, would be guilty of an infringement of some form of natural law related to original sin. For example, as one of the appendices indicates, only two provinces in Canada did not add substantially to their net debt for the year specified.

Mr. Speaker, a deficit must be judged, not for its magnitude, but for its purpose. In my view, and it is a view recognized and supported by experts, a deficit is justifiable if the money spent increases the ability of the economy to produce in the long run. By this criterion, no one can disagree with the concept of borrowing as a means of financing the objectives which I have emphasized over the past two years.

It is, of course, recognized that no government can continue its operations, regardless of purpose, on the basis of deficit financing for an indefinite period. At some stage, traditional financial practices alone will insist on corrective measures of some sort. Therefore, despite the tact that improving the individual's ability to generate income constitutes increased government revenue in the long run, such corrective measures are now in the process of implementation.

These measures, basically, involve four concepts, all of which form an integral part of the government's program for the future.

Firstly, it is becoming increasingly apparent that welfare services are forming much too large a portion of government budgets, at all levels. The costs of such services in Canada are now about twice as high as in the United States, and this acts as an increasing handicap on Canadian industry which must compete in world markets to survive.

It will therefore be necessary, in the immediate future, to vigorously refrain from increased welfare payments of a non-urgent nature to enable the economy to expand sufficiently to provide for such expenditures. This is difficult to accept, but it must be accepted by all political parties and by all levels of government, if Canada is to survive as an independent nation in the western world.

Secondly, with the Canadian people demanding both expanded and higher levels of services, they must be prepared to accept the tax burdens associated with such demands. This suggests that governments at all levels must refrain from "passing the buck" and agree to an allocation of tax revenues which is consistent with the distribution of spending responsibilities.

Thirdly, the federal government must recognize more fully the national benefits derived from provincial spending on education and economic development. For years, this province has spent huge sums to educate its population, only to see large numbers of -them emigrate to other provinces and contribute to tax revenues there. The same applies to provincial industrial development expenditures which have the effect of increasing federal corporation tax revenues.

In other words, the national interest can be best served only by initiating a greater federal sense of responsibility with regard to spending in these fields. This we intend to press for with all the resources at our disposal.

And finally, Mr. Speaker, these three concepts must inevitably produce a fourth, in the way of a plan which reflects fully the principle of financial responsibility.

It is the government's intention to ultimately achieve a balance between revenues and expenditures. However, given the things that must be done, this cannot be 'achieved immediately, and our best estimate is that approximately three years will be required to achieve this end.

To do so, procedures have already been developed to reduce the annual growth rate of the hospitalization plain to less than five per cent, to maintain capital spending at approximately its current level, and to develop welfare programs in a manner consistent with the ability of the economy to support them.

It is also recognized that the members of the opposition will suggest that three years is too long, and that it should be done now. If they can tell me how this can be accomplished without impairing services, I will be only too happy to receive their suggestions.

To sum all this up briefly, Mr. Speaker, existing services must be continued, a number of new programs must be implemented if the long-term needs of the province are to be met, and deficit financing may well be indicated for approximately a three-year period to serve these ends.

And it is my view, Mr. Speaker, that this situation, which is dictated by the needs of our economy and our people, will not reflect adversely on the credit position of this richly endowed province.

We are, therefore, providing for the fiscal year 1963-64 for revenues of $117,149,170 and for expenditures of $123,300,994, indicating a deficit on current account of $6,151,824. These estimates provide for no increase in taxation at the present time, and in fact reflect a slight reduction in the tax burden carried by the forest industries as a means of enabling this major industry to better compete in world markets.

The possibility of increased taxation was fully and carefully considered and was ruled out for two reasons.

First, the current heavy burden of taxation relative to income suggested that income, both individual and corporate, must be further expanded before additional taxation could be justified. Secondly, the existence of two royal commissions in (the (tax field — federal and municipal — indicated that any major tax adjustments should be deferred pending their recommendations.

Mr. Speaker, over half this anticipated deficit is accounted for by the increased expenditures on higher education which are provided for under 'the general government votes. This is a major undertaking and is designed to assist the universities in their attempt to make available the best educational opportunities to the youth of New Brunswick. This program could well have been deferred or completely eliminated in the interests of budgetary harmony, but the long-term costs of doing so would have been appalling.

Accordingly, we have decided to proceed in accordance with the recommendations of the Royal Commission an Higher Education.

It has become increasingly clear in recent years that additional resources must be devoted to improving our educational programs. This is particularly true in the field of higher education, an area in which the provincial contribution has been among the smallest in Canada during the past few years.

As was pointed out a year ago, the government is prepared to meet its obligations in this field, and we feel certain that .all New Brunswickers will foe prepared to accept whatever sacrifices must foe made in order to fill the vital educational needs which now exist.

In this regard, a fan reaching highlight of the past year was the report presented to the government by the Royal Commission on Higher Education. Again, I am certain that every New Brunswicker, regardless of parity, is grateful for the careful and impartial investigation which was conducted by this commission's most distinguished chairman and his able colleagues.

Professor John Deutsch was perhaps the ablest man in Canada for this task, with his broad experience in government, business, and higher education itself. In addition, both Dr. R. W. Maxwell and Judge A. J. Cormier brought to this commission the kind of local knowledge and experience necessary for am examination of this kind.

As a consequence, for the first time in more 'than a century, we have a complete inventory of our university and college facilities, as well as a blueprint for their future development. Proposals have been made for greater cooperation among institutions, which will eliminate opportunities for wasteful duplication, but at the same time will provide equitably and adequately for both English-speaking and French-speaking students.

We have had as well a thorough review of university financial problems and detailed recommendations regarding provincial government assistance over a five-year period. The way has also been indicated by which this province can maintain, in cooperation with other provinces, and in an orderly manner, the necessary specialized university programs which are beyond the means of a single province alone.

There also has been a thorough independent analysis of various measures for assisting able students of limited means.

The government considers it highly significant that the royal commission's report 'has been fully endorsed and accepted by the province's universities and by the public generally. The government most emphatically shares in this acceptance.

Accordingly, we are providing this year for the university and college grants recommended by this commission. It must foe emphasized that this commitment is for a five-year period, and these grants to New Brunswick institutions will amount to nearly $20,000,000 over the next five years. This is no small sum and will represent the increased provincial government assistance which these institutions must have in their efforts to provide sufficient space and high quality instruction for the growing numbers of our young people seeking higher education.

No longer will our universities and colleges find themselves in a deficit position through uncertainty regarding the degree of government assistance to be received. They are now, and will be, in a position where they can plan for the future with a precision and an optimism which was not passible in the past.

Perhaps I should also point out that our universities and colleges are the joint financial responsibility of the provincial government and other interests and agencies as well.

The provincial government has fully considered the extent of its role in the development of higher education, and has undertaken to provide an extent of financial support which is generous by any standards in this country. We are, therefore, hopeful that our new program of university grants will encourage other sources of university support to maintain and increase their assistance.

In this regard, Mr. Speaker, I refer particularly to the federal government and to industry which, in the past, have not assumed a full measure of responsibility in this important field.

During the course of the forthcoming fiscal year the government will undertake to establish machinery to enable more adequate liaison with our universities. This new approach will make it possible to work out day to day problems as they arise and to accumulate the basic information necessary for informed judgments when consideration is given to grants required in the five-year period after 1967.

It is hoped that this same machinery will also be useful in assisting the government to1 implement those other recommendations of the royal commission which are still under active consideration.

Mr. Speaker, I do not intend to undertake a detailed description of the government's program for the coming year. As in previous years, this is more appropriately left to the various ministers of the government. I would like, however, to mention a second area in which the government's policies are directed at improving the long-term performance of the economy.

It has long been known that a close correlation exists between expenditures on scientific and industrial research and aggregate economic growth. In Canada, generally, and in New Brunswick specifically, such expenditures have been minimal at a time when our competitors have been placing great emphasis in such areas. The results are evident in a comparison of Canada's growth rate with those of other western countries.

Accordingly, at the last session of this assembly, the Research and Productivity Council Act was passed, in an attempt to stimulate greater efforts in the fields of industrial technology and productivity. This council has now been formed and, with its committees on research, finance and productivity, is comprised of the ablest representatives of industry, labor, government and other sectors of the economy.

The council has already initiated a program of research grants designed to stimulate greater interest in the development and utilization of provincial resources. This program has already resulted in research programs related to such provincial resources as peat moss, salmon, pulp and paper and base metals, 'as well as one related to the possibilities of inducing the local manufacture of electronic components.

The council has, as well, formulated the initial stages of a program aimed at assisting industry to become more productive; first, by promoting the development of managerial skills, and secondly, through the provision of a technical information service, in cooperation with the Department of Industry and Development and the National Research Council.

Those programs -will proceed with greater intensity during the coming fiscal year, and it should be noted that the provincial government's contribution as being increased fourfold to assist in this direction.

At this point I must emphasize that (although the government is using public funds to encourage greater scientific and industrial research efforts, it as not intended that such funds should constitute the council's sole source of financial support. The benefits to industry, both generally and specifically, are such that industrial financial support is not only justifiable, but is imperative. The role of the government is to get it started, and it is then up to industry to accept its responsibility and participate in the future.

And finally, it would be appropriate for me to comment briefly on some of the activities which fall within the jurisdiction of the Department of Finance.

First, with regard to the tourist industry, the past season constituted a record year in terms of the number of tourists visiting the province. This record increase was achieved notwithstanding the unusually wet summer and it was probably assisted to a significant extent by the devaluation of the Canadian dollar during the year.

It is estimated that approximately 10 per cent of these visitors came prepared to exploit the increasing availability of camp and picnic sites in the province. Accordingly, this program under the parks branch of the Department of Lands and Mines is being expanded in the forthcoming fiscal year in the hope that this trend may be continued in the future.

Secondly, during the year the province was successful in completing the following bond issues — all in the Canadian bond market:

(i) $3,000,000 -— 4-3/4% coupon dated April 1, 1962 'and due April 1, 1967. Cost to the province, 4.92%.

(ii) $7,500,000 — 5-3/4% coupon, dated 31 August 1962, and due 31 August 1992. Price received by the province at 94.585, at a net cost of 6.15%.

(iii) $5,000,000 — 5-3/4% coupon dated 15 September 1962 and due 15 September 1982. Price received by the province at 96.25, at a net cost of 6.09%.

(iv) $5,000,000 — 5-1/4% coupon dated 1 December 1962 and due 1 December 1987. Price received by the province at 98.26, at a net cost of 5.40%.

Mr. Speaker, also in the Finance Department, let me turn for a moment to the rode of our Motor Vehicle Division. We must be greatly concerned about the extremely high accident rate on provincial highways. Therefore, the government's safety drive must be continued, and at an accelerated tempo.

During the year some 38,000 drivers were tested by the Driver License Section, and safety programs were carried out in conjunction with the high schools and the New Brunswick Traffic Safety Commission.

Further emphasis was given this problem by way of a driver education course at the University of New Brunswick, the continuation of our seat belt campaign, and by the formation of the Traffic Liaison Committee. This committee is designed to more fully coordinate the administration of various aspects of Motor Vehicle legislation.

In conclusion, Mr. Speaker, I have outlined the important aspects of ■the government's budgetary program for the fiscal year 1963-64. This has not been intended as a detailed analysis of .the spending program — this will come under discussion as the budget debate proceeds. However, I have pointed to .the main considerations which form the basis of 'this program, and 'have as well outlined the main areas involved in the government's budgeted deficit an current account for the forthcoming fiscal year.

As well, I have outlined the main problems confronting not only this government, but all governments during this current phase in the evolution of modem society. The requirements of this society are highly complex and certainly expensive, and the role of government in meeting these requirements is one demanding high qualities of leadership and foresight. I feel confident that this administration, under the able leadership of the Hon. Louis J. Robichaud, possesses these qualities at a time when they are most required in .the history of this province.

And now, Mr. Speaker, with the traditional motion of supply, I move that you do now leave the chair.