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Mr. Speaker: Six years ago I had the honor and the privilege of presenting my first budget to the Legislative Assembly. At that time I was keenly aware of the responsibilities entrusted to me by the people of New Brunswick.

You may be assured, Mr. Speaker, that today, eight budgets later, I am no less aware of that honor, privilege and responsibility. The responsibility, indeed, has increased with the growth in our economy and with the fundamental changes and improvements in services to our people.

The task of preparing a budget presents an opportunity, indeed it imposes a discipline to conduct a general stock-taking. Before considering plans for the future, the accomplishments and shortcomings of each program must be reviewed and assessed. While not always a pleasant task, it is as rewarding as it is necessary.

French Translation

Monsieur l'Orateur: II y a six ans, j'ai eu l'honneur et le privilège de soumettre mon premier budget fa cette Assemblée Législative. À cette date, j'étais particulièrement conscient des responsabilités que m'avaient confiées les citoyens du NouveauBrunswick.

Sayez assure, M. l'Orateur, qu'après huit budgets, je ne suis pas moins conscient aujourd'hui de l'honneur, du privilège et des responsabilités. De fait, ces responsabilités se sont accrues avec l'expansion de notre économie et l'amélioration fondamentale des services a notre population.

La préparation d'un budget offre une occasion, en fait, commande Ia discipline d'un inventaire complet. Car, avant d'échafauder des projets pour l'avenir, il faut évaluer les résultats - bons et mauvais - de chaque programme déjà en vigueur. Bien que ce travail ne soit pas toujours des plus plaisants, il n'en demeure pas moins nécessaire.

At this time, Mr. Speaker, I would like to pay special tribute to my staff, the Treasury Board staff and indeed the officials of aU departments of government who have spent many hours in working on this budget.

The hard choices which must be faced in preparing a budget constitute a very sobering experience. If the consequences to the province were not so serious, I could almost wish that the new interim Leader of the Opposition could experience the difficulties of shaping one's plans to the funds available. After listening to his contribution to the debate on the throne speech, it became quite clear that he has never had that experience. His total plans seem to be based on a flamboyant spending of someone else's money without even consulting them, a practice which is no more acceptable in government than it is in business or personal life.

In last year's budget address, Mr. Speaker, I suggested that it would be the year in which the greatest chapter in our history would be written. I believe that time will confirm that statement. Certainly it was by far the most eventful in the lifetime of the province as far as administrative and financial matters were concerned.

The year was marked, for example, by the highest level of economic activity we have ever experienced. It was also marked by the start of the most ambitious and far-reaching program ever undertaken by a provincial government.

Two budgets were prepared and carried out. The first covered the regular, ongoing programs of the government, together with some preparation for the program for equal opportunity. The second provided for the complete implementation of that program.

The year saw the attainment of entirely new and vastly improved fiscal arrangements with the federal government, covering a far wider field than any previous arrangements. It also saw, in the province, the beginning of a new $114-million rural economic development program, the first such program in Canada. The year closed with the submission to the federal government of the long-awaited Carter Report, a study which could profoundly affect all Canadians.

I wish to review these major events of 1966-67 in some detail.

In keeping with the practice begun two years ago, I have already tabled a comprehensive review of the economy and a forecast of the economic outlook for the coming year. My review of the economy's performance during 1966-67 will therefore be restricted to a summary of the highlights contained in that paper.

Performance of the Economy:

The year 1966 was another exceptionally good year for New Brunswick and its citizens. Gross provincial product, the total value of all goods and services produced in the province, reached $1,160 million. This is almost 8-1/2% above the 1965 level and amounts to $1,850 for every New Brunswick resident. While this growth rate is not quite as high as that of the last two years, it has only been exceeded on one other occasion in the last 15 years. Even discounting it for the 3-1/2 point increase in the Consumer Price Index, it represents a substantial real improvement in the economic welfare of the province.

Most other indicators followed Gross Provincial Product and showed substantial year to year gains. The largest increases were in wages and salaries, pulpwood production, fish landings, electric power, mining, pulp and paper and tourism. While residential construetion in particular was down significantly from 1965 levels, total capital investment should exceed the forecast of $453.5 million and show' a record level in 1966.

One particular investment, of which special note should be taken, was made by the Fund for Rural Economic Development in .the northeast and Mactaquac regions of the province. Under the ARDA agreements more than $114 million will be spent to raise living standards and opportunities in these areas. This is a very large and a very real investment in the future of New Brunswick and its people.

Progress Report on Program for Equal Opportunity:

Of even greater significance than the ARDA agreements was the launching of the program for equal opportunity. A brief progress report on that program may be useful to all hon. members.

The supplementary budget passed last year enabled the first steps to be: taken in implementing the program for equal opportunity. A few minor pieces of legislation must still be considered. Virtually all new regulations are either complete or in the final stages of completion.

All departments affected by the new program have been restructured to handle their new responsibilities and to reflect the decentralization of services. Good progress has been made in filling new positions. Over 590 municipal employees have been accepted for provincial employment. Most have been assigned to departments; a few are being held in a central pool for retraining and future assignment.

All regional offices are now in operation and are beginning to function despite the handicap of limited accommodation. Special attention is now being given to the procedures and training requirements of regional centres so thai they may provide the best possible service to the public at minimum cost.

Computer systems for processing assessment, property and sales tax information have been completed. Assessment and tax notices can now be handled mechanically as soon as final data is available. Collection machinery has been set up and the necessary personnel trained;

procedures for enforcement are now being designed.

Special studies are under way in the Departments of Education and Youth and Welfare. These departments have assumed by far the heaviest work load under the new program and some time will be required before they are able to operate at their full level of effectiveness. All aspects of the new program are under continuous study so that problems can be identified and tackled as soon as they become apparent.

Capital Financing:

Mr. Speaker, in the past I have reported briefly on our borrowing activities. The past year has been one of the most unusual in the history of North American bond markets.

The upward trend in interest rates, which began in 1965, continued into 1966 and by August the rates had climbed to record high levels. After a moderate decline in September and October, they moved upwards again and by mid-December had regained their August highs. At that point, the trend was sharply reversed and interest rates have moved appreciably lower since then.

Two public issues of the province were sold during the year. In October an issue of $10 million 6-1/4% bonds was sold at a cost to the province of 6.70% on $2 million of 10-year bonds and 6.66% on $8 million of 25-year bonds. In January a further issue of $10 million 6-1/2% 25-year bonds was sold at a cost. of 6.64%. In addition, $16,707,000 of 20-year bonds were sold to the Canada Pension Plan Investment Fund at money costs ranging from 5.36 % to 5.61 %.

This regular source of low-cost funds is a feature of the Canada Pension Plan which may not be fully appreciated by the public. On the amount borrowed in the past year, it meant savings to the province of New Brunswick of at least $175,000 a year for 20 years.

Conditions in the short-term money market have been even more difficult than in the long-term market. The demand for short-term money has greatly exceeded the supply, and borrowing costs have consequently been abnormally high. The province has relied mainly on chartered bank borrowings for most of its temporary capital requirements although, in the past month, money market rates have declined to the point where it has been advantageous to raise part of our short-term requirements in this particular market.

During the year, it became evident that coordination of the capital borrowing requirements of the province, the New Brunswick Electric Power Commission and other corporate borrowers was becoming increasingly difficult and that some formalized arrangements would be desirable. In conjunction with the Power Commission, negotiations were entered into with several investment dealers who had shown a major interest in the past financing of New Brunswick, and agreement was reached on the formation of syndicates which would act as fiscal agents for the province and the Power Commission until March 31, 1968.

The syndicates are virtually the same in both cases, but an element of competition has been maintained through the designation of different firms to act as managers of the various syndicates. Provision has also been made for any financing that may be done in the United States during this period. We are satisfied that everything possible is being done to ensure that the capital requirements of this province will continue to be raised in a systematic and intelligent manner, and that the best possible relationship between the province and the institutional investors is being developed.

In November of 1966 the Guarantee Act was enacted which established a system for considering applications for financial assistance from major industrial companies. Since its inception, the Guarantee Board has processed two applications resulting in guarantees by the province of corporate bond issues. It is considered that the terms and conditions under which the government approved these requests are most favorable to the province and that a high degree of security has been provided for the province's protection.

Both agreements have been tabled in the house. The Guarantee Act expired on March 31, and it is the intention of the government to introduce a new Act at the current session of the Legislature.

As anticipated in the supplementary budget speech, the province has experienced an unusually heavy demand for short-term financing related to the assumption of liabilities under the program for equal opportunity. However, through the cooperation of the chartered banks and by recourse to the short-term money market, the necessary funds have been raised. No difficulty is expected in financing the remainder of our requirements until such time as offsetting revenues are received. I want to thank all of the banks for their assistance during this difficult transitional period.

Mr. GUERETTE took the chair as Deputy Speaker.

Hon. Mr. DesBRISAY: Mr. Deputy Speaker, it is worthy of note that the province is not creating any higher level of overall capital demand under the equal opportunity program than would otherwise be the case. New capital and current financing requirements are now being raised by the province whereas formerly they were raised at the local level, and, to the extent that the province is able to borrow both long and short-term money at lower interest rates, a corresponding reduction in the overall cost of borrowing will result. In addition, the withdrawal of school and hospital boards from the capital markets will tend to create more favorable market conditions and lower borrowing costs for the municipalities In New Brunswick.

Current Financial Position:

In reviewing the province'S current financial situation, Mr. Deputy Speaker, I am pleased to point out that the Public Accounts for 1966, which were tabled earlier in this session, reveal a decrease in net

debt for that year of $266,979. This is an improvement of $8 million over the original estimates for 1966 which had anticipated an increase in net debt of $8.2 million.

The extremely favorable situation which finally came about was primarily the result of increased receipts from the province's own revenue sources of approximately $8 million. An additional $4.9 million was received from the government of Canada, largely in the form of increased equalization and succession duty payments.

These revenue increases were offset in part by some increased spending, the net result of which produced a decrease in net debt for the 1966 fiscal year, as I have explained.

The fiscal year which ended last March 31 was perhaps one of the most complex financial periods that the province has gone through in recent times. Two budgets were presented to the Legislature in order to give as clear a picture as possible of the first requirements for the program for equal opportunity and its effect on the budget presented earlier that year, in April.

In my budget remarks last November I stated that the overall effect of the supplementary estimates as a result of the program for equal opportunity would be to increase our net debt by just under $4 million. I also stated that there would be further additions to our net debt because of the transfer of liabilities to the province from the schools. counties and hospitals. The extent of these liabilities is still not clear at this time as the year-end audits have not yet been completed.

I wish to repeat what I said last November, that when the final figures are ready I propose to give a special report on the assumption of these various liabilities and their effect on the province's financial position.

Federal-Provincial Relations:

Hon. members will recall that for the past two years a federal-provincial tax structure committee has been working on new fiscal arrangements. I know that all members are quite rightly expecting a full report on those negotiations.

Since the end of the Second World War, 1945-46, the sharing of taxes between federal and provincial governments has been governed by a series of five-year agreements. Shortly after assuming office this government became involved in the negotiations for the 1962-67 agreement. In the past year a new equalization agreement covering the years 1967 to 1972 has been completed. The legislation providing for these payments was passed by Parliament in March 1967.

At the same time, federal and provincial governments agreed to extend the tax collection agreements, with slight amendments, for two years. This was done so that changes suggested by the Royal Commission on Taxation could be incorporated at the earliest possible moment.

I feel that the change in the method of calculating equalization is one of the most significant steps forward in the history of Canadian federal finance. The changes in tax sharing were presented last session when the 1967 Income Tax Act was introduced. While that legislation increased the rates of New Brunswick's personal and corporate income tax, as I said at the time, it did not increase the tax liability of any New Brunswick citizen.

This unusual situation arises because of the method used to transfer funds for post-secondary education from the federal to provincial government. Rather than the former shared cost and per capita payments for technical schools and universities, the federal government proposes to reduce its share of personal and corporate income taxes by 4% and 170 respectively, and allow the provinces to increase their taxes for this purpose. As a result, while the provincial income tax will increase from 24% to 28% of the basic tax for individuals, and . from 9 % to 10% of taxable income for corporations, the total tax paid by them will not increase.

The goal is to ensure that there is no suggestion of federal interference in the province's constitutional responsibility for education and that federal tax rates are at the same level across Canada. Under the Diefenbaker-Sauvé contracting-out formula, Quebec received 1 % of corporate taxable income while other provinces received a grant of $5 per capita. Similarly, technical and vocational assistance to Quebec was paid by an abatement of personal income tax rather than the shared-cost arrangement used eve-

rywhere else. While the Ottawa colleagues of my friends opposite hailed the first of these contractingout arrangements, the slightly more complicated arithmetic required when the present federal government took a similar step appears to defeat them. As a result, they have screamed "Sell-out!" and "Special deal!" to such an extent that it is apparently necessary to change the arrangements so that what is obvious to everyone else can be understood by the opposition in Ottawa.

Mr. Deputy Speaker, let me make it very clear that there is no substantive change involved here. There is, in my opinion and as I said in my budget speech last year, no financial or administrative advantage in contracting-out. There never has been. What is being changed by contracting-out is the form of payment, not the amount.

The amount has changed, but this is due to the federal government's desire to promote and extend postsecondary education; it is not due to contracting-out as such. Past federal contributions of approximately $5 per capita for universities and 50% of operating costs for technical and vocational training are to be replaced by the equivalent of $15 per capita or 50% of instruction costs for all post-secondary education. While the actual amount will not be known until the costs of instruction have been paid, preliminary estimates indicate a gain for New Brunswick of approximately $3 million. This does not include the great improvement in the capital funds available for technical and vocational schools. The benefit there depends on how quickly we can improve the educational system of the province.

The form of payment is to be 4% of individual income tax, plus 1% of corporate taxable income, plus equalization, plus an adjustment amount. The first two of these were introduced last session. They change the provincial share of individual income tax from 24 % to 28% and of corporate taxable income from 9% to 10%.

Equalization is relatively much more important to New Brunswick than tax sharing. Equalization is also the area where the greatest changes in federal-provincial fiscal arrangements have been made. The agreement goes far beyond a change ira numbers and amounts, it represents a change in the basic principles of equalization. Fortunately, I might note that the improvement in principle means an increase in the amount received by New Brunswick of approximately $16 million on the basis of 1966-67 estimates.

Because of the considerable misunderstanding that was evidenced when I tabled statements made at last October's federal-provincial conference, I would like to spend a few moments describing and comparing the past and present equalization formulae.

Federal equalization payments in 1966-67 were designed to ensure that all provinces received a similar amount if they levied individual income tax at 24% of the basic tax, corporation income tax at 9% of taxable income and rented their rights to 50% of the estates tax field to the federal government. Equalization ignored differentials in the yield of most major provincial taxes, since it increased only by the increased yield of these fixed rates or by negotiation of the rates at federal-provincial conferences.

The equalization formula which came into effect only a few days ago, on April 1, is designed to ensure that the tax structure of every province has a broad enough base to allow each province to provide services equal to the Canadian average.

The federal formula measures what every province would receive if it cultivated the tax fields most provinces use, at the average rate across Canada. It also measures what they would receive if their citizens were as rich as the average Canadian. When the first figure is less than the second, the federal government makes up the difference. Where it is more, the province is assumed to be able to manage its own affairs. All revenue sources are included in the formula, not a selected and possibly inequitable few.

The effect of the formula is this. Payments continue to increase with increases in yield. They also increase as and when provincial governments as a whole find it necessary to increase taxation. This last point is the greatest improvement.

In earlier formulae, equalization simply did not keep pace with the rapid growth of provincial responsibilities for health and education. Provinces like our own, whose programs are dependent on equalization, thus lagged behind until a new arrangement was negotiated.

In the future, when the demands on provincial tax sources increase, equalization will keep pace. Provinces receiving equalization will be able to keep pace with the others.

In short, we can push up equalization by our own tax efforts; further, equalization is pulled up by the tax efforts of other provinces.

There have been two questions raised about the New Brunswick government's attitude to this new formula which warrant attention.

The first is that New Brunswick should support those who feel municipal revenues should be included in the formula. Some of the other provinces suggested that New Brunswick do so. To the extent this is a criticism, it is unfounded. New Brunswick does and always has supported this position. However, we do not intend to deny that the new formula is a great improvement because it is not perfect. It is a great improvement because it looks at all provincial resources, not at a selected few. It is admittedly not perfect. Municipal revenues support a large and vital section of public services. To fail to consider these is to fall short of the ideal. We intend to work for the inclusion of municipal revenues in the future, but we do not intend to deny that an improvement has been made simply because they are not yet included.

The second suggestion concerns the Atlantic Provinces adjustment grant. The new formula, which measures need much more accurately, pays an implicit adjustment grant to all provinces in need on the basis of an objective formula. It does what the adjustment grant was intended to do, without being fixed in amount as that grant was, or having the appearance of scraps thrown to a beggar which that grant had.

I am not criticizing the previous government of New Brunswick, which was largely responsible for negotiating the Atlantic Provinces adjustment grant. Their presentation was on essentially the same basis as the new formula. They were unfortunate in dealing with a Prime Minister who was unable to understand or unwilling to sacrifice the appearance of personal generosity for the advantages of an objective measure. As a result, their good work was not apparent in the adjustment grant legislation, and there was no built-in escalation of the amounts involved. The new formula measures need objectively. It escalates the amount involved. It meets the problems the adjustment grants were designed for.

Admittedly, equalization is not enough. Basically it is designed to enable poorer provinces to keep up, not catch up. It is designed chiefly to ensure we can maintain our present position relative to other provinces, not provide the levels of service they do. Those who feel the adjustment grants should be retained on top of the proposed equalization are, I think, arguing that the grants be converted from the keep-up payments they were designed to be to the catch-up assistance we need.

I do not disagree with the need to catch up. If the Atlantic Provinces are to reach the economic standards of Central Canada, we must have a labour force as well trained, a transport system as efficient, electric power and agricultural produce in as good supply as they do. If we are to do this quickly, we need help. If we are to do it efficiently, we need help from agencies designed for the task. ARDA and ADB are designed for, and are beginning to do this job. The government of New Brunswick is doing everything possible to ensure they have the funds to do an even better job in the future. To suggest that a continuation of the Atlantic adjustment grants could do their job is to substitute shortsighted laziness for long-run advantage.

I would like to hear the Financial Critic's comments on this in a few days.

The new proposals also include an arrangement for stabilization of provincial revenues. By guaranteeing provincial revenues at 95% of the previous year's level, the federal government is not only ensuring the continuance of necessary public services in . the event of economic recession, it is making it unnecessary for provincial tax policy to interfere with federal fiscal policy in the same event. Without this proposal, provincial and municipal governments could have been forced to increase taxes when incomes were falling, in order to maintain the school system and the hospitals. This would have offset federal tax cuts which were designed to increase economic activity. With stabilization this need not happen.

The equalization formula will operate for five years. Independent as it now is of any particular taxes, it will be applicable regardless of tax reforms. The stabilization arrangement will have no terminal date. My predecessor will realize how advantageous this will be whenever foreign borrowing becomes necessary. The term of the tax collection agreements is two years. They will operate for the taxation years 1967 and 1968. For the tax year 1969, 1 would hope that changes suggested by a detailed consideration of the Carter Report. which is before the government, will be possible.

The Royal Commission on Taxation has presented Canadians with one of the most exhaustive and detailed analyses of a national tax structure ever made. Its implications are so great and its details so many that its implementation will require analysis and negotiation by the federal and provincial governments. Fortunately an agency already exists to undertake this work. The Tax Structure Committee was established in 1964 to prepare for the past years' negotiations and to analyse the Carter Report. While the result of the past years' negotiations were not all that everyone could desire, I believe there was general agreement that the work of the Tax Structure Committee was worthwhile in providing a basis for mutual understanding of one another's problems.

I expect that the committee will soon meet to begin study of the Carter Report, Since many of the

major studies of the commission have yet to be published, I feel it. is too early to make a detailed public statement of the New Brunswick government's views on it. However, in a press release which followed the release of the report, I expressed my general satisfaction, and I would like to summarize here the comments I made at that time.

The proposals of the Carter Report and the legislation of the program for equal opportunity are very similar in principle. In both cases the goal is to reduce the burden on low and middle income earners; without reducing incentives to productivity and investment. When the main recommendations of the report are implemented at the federal.' level, the New Brunswick taxpayer will have the benefit of the most equitable tax system in Canada.

The Carter recommendations, combined with the new equalization formula, will give the taxpayer a much clearer view of what taxes he is paying and to which government he pays them. Not only that, the transfer of federal sales tax to the retail level will provide for greater flexibility in federal-provincial relations. As 1 said in my budget speech a year ago:

"One way of avoiding the danger of a weakened federal tax base might be to widen the range of taxes which federal and provincial governments share. After all, it is the impact of all taxes, .rather than the impact of one or two, which affects the actions of individuals and businesses. If more taxes were shared, the effeet of joint federal-provincial fiscal action would be enhanced. There might even be a possibility of provinces collecting some federal taxes on a collection agreement basis."

The Carter Commission proposes great changes - changes which will affect the life and the way of life of every Canadian. Many of these changes must be made, but even the commission estimates that full implementation will take at least 10 years. It is important that the taxpayers of Canada have an opportunity to examine the recommendations carefully. It is important that everyone should take advantage of the opportunity to do so. The government of New Brunswick is engaged in a study of the Royal Commission recommendations. We have received the ideas and opinions of many individuals and organizations. As Minister of Finance, I welcome such representations and hope that more will be made.

Mr. SPEAKER resumed the chair at this point.

Hon. Mr. DesBRISAY: Mr. Speaker, I wish to turn now to our plans' for the fiscal year 1967-68. As suggested in the document entitled "The New Brunswick Economy 1967" which I tabled last week; most signs point to a year of continued expansion. The high levels of investment of recent years have expanded and diversified the New Brunswick economy. We have. a more broadened base. The manufacturing sector has expanded its capacity and will produce more goods and employ more people this year. Major work on the New Brunswick-Prince ·Edward Island Causeway will begin, the outlook of construction is improving, and total capital investment could well be over $500 million - more than twice the investment at the peak of the 1956 boom.

Mining should continue to expand. The forest industries have the potential for continued expansion. Only agriculture, where falling potato prices threaten to offset increased production, is unlikely to show a year-over-year improvement. This, then, is the general outlook within which the 1968 budget should be considered.

I must admit, Mr. Speaker, that the budget for 1967-68 has been by far the most difficult budget to prepare that I have experienced. De" spite the tremendous strides which our economy has made in the past few years, and despite the vast improvement in services to our citizens which this government has achieved, we are not yet satisfied that our people receive the maximum returns from the great potential of our province. We are pleased with our progress, Mr. Speaker, but we are far from content.

Of course, it is this very. discontent that makes for dynamic government and ensures an abundance of ideas for the betterment of our population. And it is this discontent which makes budgeting such a complex and difficult job. Nevertheless, it is a challenge which we welcome.

.. Faced with so many plans and alternatives, the essential judgment involved in the 1967-68 estimates was how far and how fast we could move, given those limitations imposed by financial and human resources which are common to all governments. As I recall, our predecessors in office faced no such problems. They had the same limitations, of course, but they never wanted to go either very far or very fast. Their problern : is somewhat different now. Their new leader has spent the provincial revenues twice over before they've even had a chance to draft a platform!

Mr. Speaker, the estimates for 1967-68 have four major goals. First, they will permit the initial upgrading of services required to make equal opportunity a reality. Second, they contain measures to institute the program for citizen and community which was announced in the throne speech. Third, they reflect an increased emphasis on post-secondary education. Fourth, they continue and expand the complex of programs directed towards the economic development of this province.

I will outline the details of our spending plans for the new year in each of these areas.

Towards Equal Opportunity:

The legislation and supplementary estimates of last year created the institutional framework for providing equality of opportunity. The 1967-68 estimates will initiate the substantive changes in services .which will accomplish that goal.

By far the largest item is for education. The department's ordinary account budget will exceed $63 million. Of this amount, over $51 million is earmarked for. local school operation. Other items, in capital account and under other votes, raise the total expenditure on . primary and secondary schools to almost $73 million.

This sum represents the first instalment of our long-term investment plan for New Brunswick children. Of the $73 million, $17.5 million will go for new school construction, renovation, and equipment, including school buses.

Other new items of particular interest include $470,000 for operating grants to regional libraries, $263,000 in grants to schools for the mentally retarded, and $312,000 for a system of regional superintendents to strengthen local school operation.

We must keep in mind, Mr. Speaker, that the expenditures I have mentioned do not include any allocations for post-secondary education. They are for primary and secondary schools only, and this is only the beginning of the most massive and most rapid overhaul of a school system ever undertaken by a provincial government.

The estimates for the Department 01 Youth and Welfare reflect a similar dramatic rise in the level of services. In the next 12 months the department will spend almost $17 million, compared with the total vote of $13.4 million a year ago. This increase is even more startling when you consider that the costs of old age and blind assistance are down from last year by $1.5 million due to the qualifying age for old age security being lowered from 69 to 61 years.

The principle increases occur in child and social welfare - up by $4.5 million. Some portion of this amount represents a transfer of the burden from local government; the remainder of the increase arises from a more realistic scale of allowances, more uniform treatment of similar cases right across the province, and the new medical care. and drug benefits introduced this year.

Welfare, of course, is far more than a matter of dollars to the needy. The department's increasing preoccupation with the preventive and rehabilitative approach is demonstrated by the staff increases permitted in this budget. These, together with increases which were approved in January, will add over 200 members to the department's staff. We are confident that this investment in trained staff will permit a sounder and more responsible development of welfare programs than was possible under former arrangements.

The general pattern of new approaches and a higher level of services is again seen in the estimates of the Department of Health. Public health services will in the future be provided through five regions, each under the direction of a district medical health officer. Provision is made to strengthen the function of health planning. A new grant to mental retardation research and demonstration projects is planned.

Of the total increase of $5 million in the department's budget, about $3 million will go to Hospital Services. A large capital program is also planned: $1 million towards nursing school facilities at Moncton and at the University of New Brunswick, and an amount of almost $5 million for the construction of new hospitals and major renovations. When completed, the capital projects contained in this budget will add 1,008 beds to the province's basic facilities.

Staff increases in the provincial hospitals are a further example of the government's determination to upgrade services to our people. An additional 47 positions are being provided to replace patient staff who for many years have worked in the hospital's kitchens. This step is fully in keeping with our philosophy to treat the mentally ill in a like manner to patients in general hospitals rather than on the traditional "inmate" basis.

The large increase in the Attorney General's Department - up $1.5 million over the main estimates of last year - represents, in the main, a transfer of functions formerly handled by local government and a substantial strengthening of those services. The operation of gaols will cost $454,000; an amount of $545,000 is allocated for public prosecutions; provision has been made for installing sound recording equipment in courts on an experimental basis; greater coverage by the R.C.M.P. in the province will raise costs for this service alone to $1,380,000.

The head office staff of the department is being strengthened to keep pace with the new responsibilities. A substantial sum is ineluded to increase and improve the legal services required by other government departments.

Perhaps the best evidence of improved services in the department is the provision of $150,000 under Public Works for initiation of the first new gaol. As the first structure in a long-term program of gaol construction, a great deal of careful planning will be required before construction begins.

Similar patterns of change are clear in all four of these departments: a strengthening of their administrative structure and a decentralization of their services, dramatic improvements in the levels of those services, and the removal of heavy financial responsibilities from units of local government.

Of equal importance is the fact that municipalities will be far better equipped financially to deal with those problems delegated to them and for which they are best suited. The estimates of the Department of Municipal Affairs provide for flat rate and equalization grants to municipalities of almost $10,400,000, almost exactly the amount shown in last year's estimates for grants before the costly burdens of health, welfare, education and justice had been removed from the municipalities.

There is also provision for payments of $12,500,000 on municipal warrants. These represent local property taxes collected on the municipalities' behalf by the province. The municipalities are thus spared the headaches and costs of collection, but more important, the province guarantees 100% of the warrant, whether the collection is made or not. This is a benefit which is unique in Canada, Mr. Speaker, a valuable advantage to cities and towns that rely on the bond markets for financing capital projects.

Under Public Works, funds are provided for a maintenance branch to handle maintenance and repairs of all public buildings, including schools, hospitals, and regional centres. An amount of $670,000 is included in capital account to begin new buildings in four regional centres. There is also provision for a Municipal Engineering Branch. This branch will be concerned with the survey of village and school district boundaries and with the planning and installation of sewage systems, sidewalks, garbage collection centres, and other public works in villages, local service districts, and rural areas.

Let there be no doubt, Mr. Speaker, about our intentions to implement the program for equal opportunity. The figures cannot be denied. The money is there and the money means better services in education, health, welfare and justice. It means well-organized services available on a decentralized basis. It means substantial assistance to the municipalities.

In all of the studies, debates and discussions of the past three years, one conclusion should be clear to everyone: some public services provided at the local level have been hopelessly inadequate for a long. long time. The program for equal opportunity has exposed needs - needs in education, in welfare, in health and in justice.

We are committed to a policy of closing these gaps. More important, as the spending plans I have outlined make very plain, our policy is to close the gaps upward, to achieve for all our people a level of services and a standard of living which other Canadians have long enjoyed.

Program for Citizen and Community:

Now, Mr. Speaker, I wish to discuss the provisions we are making for the various elements in our program for citizen and community.

First, as we provide for present and future growth and progress, we must provide for the care and use of our rich heritage from the past. Since this government took office, we have not only provided for the development of our human and natural resources, we have committed ourselves to the protection and development of our historic resources.

Within the past decade there has developed on the part of the general public a greatly increased interest in and appreciation for history, and an increased awareness (In the -part of the government of the value of our national and regional history. Canada's Centennial commemoration has given an added impetus to this concern, and has provided an opportunity to focus the concern in many ways.

There are immense educational and cultural values to be found in a region's history. Over the past few years New Brunswick has accumulated and initiated a series of projects in the historic resources field, from grants to local historical societies to the establishment of a provincial archives. In all parts of the province, local groups have shown great vitality and are to be commended for their efforts to establish museums, publish local history, and to preserve buildings and sites of architectural and historic value. All this has been done with local initiative and local resources. In recognition of these efforts, and to assist in maintaining a high standard of activity, the province will soon be in a position to offer professional advice and services.

It is the government's intention to coordinate the province's existing responsibilities in the museum and history field. At the same time, we intend to plan for the total development of New Brunswick's historic resources. Provision has thereforc been made in these estimates to establish the office of historical administrator, thereby recognizing our interest and responsibility in this important matter.

There is also provision for a substantial increase in operating funds for the New Brunswick Museum to enable it to carry out its services more effectively, and to expand its collections and facilities.

After a year of planning, the formal establishment of a provincial archives is anticipated this year. We have provided an increased operating budget as well as capital funds of $575,000 to purchase and renovate suitable facilities.

In my budget speech last year I made reference to the designation of the Fredericton Military Compound as a provincial and national historic site. Funds will be made available for year-round operation of the Military Compound as a museum and historic site by an independent board of management responsible for the preservation of Hon. these historic buildings in the downtown area of our capital city.

Now, Mr. Speaker, let me turn to other elements in the program for citizen and community.

We are most concerned to give solid effect to our proposals regarding consumer protection. 1t is clear that in today's complex market economy, the average citizen, the purchaser of goods and services, must be provided with a fair and responsible context for his dealings in the market place.

Many of the measures that will he proposed in the course of this session will be administered within the existing departmental framework. In the general provisions for such departments as the Provincial Secretary and the Attorney General, we are ensuring their capability to administer legislation dealing with unconscionable transactions, securities and financial institutions, history-of-ownership requirements for used cars, certification of roadworthiness for new and used vehicles, and other changes in the province's motor vehicle legislation that will contribute to a more flexible point system and a higher degree of safety on our roads and highways, Incidentally, my colleague the Provincial Secretary and members of his staff have just returned from Ottawa where they attended a conference with the federal officials on some of these subjects.

Similar provision is made in departmental estimates to provide for the administration of community improvement legislation, such as the unsightly premises and junk yard measures and measures related to the Department of Natural Resources.

Nous réalisons le rôle important que devra jouer le Service de Traduction. Nous avons donc prévu une somme de $49,650 afin de réaliser l'objectif du service et Ie permettre le recrutement d'un personnel hautement qualifie a la direction. Lorsque Ie service sera techniquement en fonction, nous verrons a ce que des fonds additionnels soient disponibles pour la réalisation du plein potentiel de ce service si essentiel.

II n'aurait pas éte de mise, M. l'Orateur, d'anticiper la décision de cette assembles au sujet de la traduction simultanée pour faciliter les délibérations de cette chambre. Afin de respecter le principe historique et essentiel que cette chambre est seule maitresse de ses décisions et de sa destinée, nous n'avons rien prévu pour ce service aux estimes budgétaires. Maintenant que l'assemblée législative a exprimé ses désirs sur Ia question, les sommes nécessaires seront mises en disponibilité en surcroit des prévisions budgétaires du Service de Traduction. Je dois dire que nous sommes déjà à explorer différentes méthodes afin d'obtenir un service efficace et compétent qui rendra pleine satisfaction it I'assemblée.

English Translation

We attach great importance to the role of the Translation Bureau. A sum of $49,650 has been provided to bring this organization into being and to make possible the recruitment of the highly competent staff who will direct the bureau. Once the agency has been established and can commence its work on a sure technical basis, we are fully committed to the provision of additional funds in support of this essential service.

It would have been improper, Mr. Speaker, to anticipate the decision of the Legislative Assembly concerning a translation service to aid the deliberations of this house. In order to respect the historic and essential principle that the house is the master of its own processes and procedures, no specific provision was made in our estimates for that service. Now that the mind of the house has been stated on this matter, the required sums will be provided in addition to the estimates of the Translation Bureau. I might say that we are already investigating ways in which this service can be provided for the Legislative Assembly in an efficient and competent fashion.

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In like fashion, we have not presumed to make specific provision in the estimates for the office of ombudsman. The government is convinced of the desirability of such an office and will propose

legislation accordingly. In our view, the ombudsman should be the servant of the Legislative Assembly and responsible to it. Again, we did not wish to prejudge the decision of the assembly concerning the financial provisions which ought to be made respecting that office. When this assembly has come to its decision, funds will be made available in accordance with the wishes of the house.

Through our general provision for grants we intend to assist the work of the newly reorganized New Brunswick Highway Safety Council. In addition, funds for our programs of highway safety and driver education will be provided in the estimates of the Department of the Provincial Secretary. That department is cooperating with the Canadian Highway Safety Council and the All-Canada Insurance Federation in the development of driver training instructor leadership for the province.

The proposed Consumer Bureau will be of great importance to New Brunswick citizens. We expect it to render significant service to consumers in identifying problems, working for the solution of consumer problems, maintaining liaison with concerned citizen groups, and administering such measures as the proposed truth-in-lending Act and the direct sales legislation. In time, we would hope that the bureau will be able to offer solid programs to our citizens in the field of credit education. Obviously, the recruitment of key personnel is essential to the success of this bureau. The estimates provide $31,748 to establish the bureau and permit the development of a detailed program.

The government also attaches great importance to the· proposed New Brunswick Housing Corporation. This agency will be charged with major tasks that are of incalculable significance to the people and communities of New Brunswick. As all hon. members are aware, the National Housing Act makes federal funds available to renew and extend the housing stock of the province. The corporation will be charged with making flexible and effective use of such resources, in cooperation with existing private and municipal agencies in this field. The corporation will also be equipped with appropriate financial authority of its own, so that it can give effect to its programs and policies.

To set up the corporation an operational amount of $35,000 is provided at this time. Once the agency is under way it will be able to develop its own fiscal plans and secure action with respect to them.

A further proposal which falls within the framework of the program for citizen and community is the Commission on Post-Secondary Education. It is a proposal of such importance to the province and it has such a bearing on the future shape and range of educational services that r wish to give it special and extensive consideration.

Post-Secondary Education:

Last week the government released the report of the Deutsch Committee on Financing Higher Education in New iBrunswick. Aside from its specific recommendation for assistance, the committee suggested certain principles which the government should consider.

They first suggested that the entire field of post-secondary education - universities, teachers' colleges, and trade and technical institutes - should be viewed as a single problem, in keeping with the views held by the federal government and manifested in the new cost-sharing arrangements. They also stressed that direct involvement by government in university affairs should be avoided. Finally, they made clear that public expenditures on post-secondary education must be based on sound research and on a planned and coordinated approach.

T

o achieve these aims the committee proposed a Commission on Post-Secondary Education, and as announced in the throne speech, this government has accepted that recommendation. We see the commission as a body on which various representatives of the community would be involved in the determination of requirements and in the assignment of available funds. The immediate task of the commission will be to act as a vehicle for the payment of capital and operating grants to universities, with an expansion of its functions into other post-secondary fields at a later date.

We are convinced that a commission of this kind will ensure that the universities continue to operate as independent bodies. It will also ensure that the various needs of post-secondary education will be assessed and reconciled in a coordinated and responsible manner.

The estimates for 1967-68 include funds to set up the commission. They also include funds for operating grants to universities on the scale recommended by the Deutsch Commission. These grants, Mr. Speaker, total just under $9 million, as compared with $3,183,000 in 1966· 67 - almost three times as much.

As far as capital assistance to the universities is concerned, we propose to follow a somewhat different approach than in the past. The commission will be empowered to borrow funds on the long-term market for these purposes, with the Assistance of a government guarantee. The government will then make annual grants to the commission sufficient to meet interest charges and sinking fund instalments.

Our reasons for this approach are simple. First, we feel that it reinforces the arm's length relationship between government and universities which we consider proper. Second, this method will enable the costs of a heavy and immediate building program to be spread over a longer period. We believe in borrowing for such capital "humps", Mr. Speaker. When a capital requirement promises to be at a high level over a long period of time, as in highways, for example, we feel it is desirable to finance as much as possible from current revenues. However, we do not believe this to be the case in university construction and we therefore wish to finance these needs through borrowing. No one can question the soundness of this fiscal policy.

The Deutsch Committee also made an extremely strong case for a program of student aid. We are particularly concerned about the small proportion of our students who proceed. to university studies in comparison with other provinces. We agree that the proportion must increase and that a program of aid is desirable.

In these estimates, Mr. Speaker, we have included a quarter of a million dollars as the first stage in an extensive program of student· aid. Scholarships of $200 each will be given to students entering university who obtain an average 01 75"/0 or over on departmental examinations. A program of bursaries to needy first-year students will also commence this year.

As this program develops over the years, it will give real meaning to equalizing opportunities for this group. The future returns of such a program on our productivity and income will more than justify the initial outlay.

This is true, indeed, for all our expenditures on post-secondary education, In a recent study prepared by the Economic Council of Canada, it has been estimated that the social rate of return on a university education was between 8% and 11 0/0 per year, which compares favorably with rates of return on business capital. The study also demonstrated that the costs of 12 years' education were, on average, equal to the loss of one year's income due to unemployment.

This budget recognizes the importance of these arguments, Mr. Speaker. It recognizes their importance in dollar terms and with a louder voice than ever before used by this province. In addition to the massive funds devoted to primary and secondary school operations, and in addition to the great increases in assistance to universities, we have this year provided a total of over $6 million for the operation of trade schools and technical institutes, apprenticeship training and other manpower development expenditures.

On the capital side, provision is included for new construction and renovation of trade schools and technical institutes in the amount of $2,356,000. A further $1,000,000 is allocated for the Teachers' College in Moncton.

Stimulating Economic

Development:

We are investing heavily in the development of our human resources, Mr. Speaker, through the various programs I have outlined thus far. In recent years, we have also invested heavily in economic development. The task of stimulating and encouraging the more rapid economic growth of the province continues to be one of the areas of greatest concern to this government.

This problem of economic development is not the sole responsibility of any single department or agency nor the purpose of any single program. It is, rather, an absolutely central and basic duty of the government as a whole and involves the marshalling of all the province's resources, of all its departments and agencies. I have already traced the encouraging improvement in the province's economy. However, we are by no means satisfied and priority is being given to expanded resource development, improved manpower training, faster rural economic growth, and to expanding and diversifying the province's manufacturing base.

Our policies have been designed to increase utilization of the province's resources. I would like to mention a few instances of how we expect to increase our capability in this area.

The Department of Natural Resources is accelerating its program of resource management by increased provision for water bombing services, increases in wildlife projects and the purchase of fishing rights. There will be an expansion in the number of park development projects. The coordinate survey of the province will be continued with the intention of producing a new topographical map series for New Brunswick by 1970. To help boost the potential of the Minto area we shall undertake a rehabilitation project of the strip mining area. The combined resources of the department will be involved in this project with a view to increasing the forest. fishing and tourist potential of the area.

To increase the province's agricultural potential, we have budgeted for the erection of central grain elevators to encourage the production of feed grain in New Brunswick and eventually help to supply livestock feed in areas not suited to grain production. The provincial imestone subsidy has been increased by 100% to overcome a federal withdrawal from this area. The stream bank erosion and flood control program has been reactivated.· The budget of the Farm Adjustment Board - formerly the Farm Settlement Board - created to purchase and improve farmland and provide loans to farmers for the purchase of land, buildings, livestock and equipment, has been increased by $900,000 this year. Estimates for the Rural Development Branch, created last year to admin-: ister the many ARDA projects, have been increased from $442,000 to $610,963.

Within the Department of Fisheries we have provided for an increase in exploratory fishing projects, while the funds for the Fishermen's Loan Board are $3,690,- 000, an increase of almost $700,000. This larger amount is necessary to speed up the modernization and improvement of the province's fishing fleets.

The continued development 01 our provincial resources, Mr. Speaker, would be impossible without the essentials of a good transportation network. We have budgeted this year for an increase of over $15 million in highway capital expenditures - a total of $52,450,000. The bulk of this growth lies in the new arterial program to which I will return shortly, and in expanded permanent highways and main trunk highway building programs.

The New Brunswick Development Corporation continues to be one of our main weapons in expanding the province's industrial base. Having made considerable headway in the creation of required basic facilities to industry at the province's three industrial parks, the corporation now is in a position to place more emphasis on the direct attraction of manufacturing activity. Consideration is now being given to the creation of an industrial loan fund to be administered by the Development Corporation. It is our belief that the independence and freedom of action permitted by the administrative structure 01 the Development Corporation will allow the originality and flexibility of approach essential to successful development efforts.

These efforts of the Development Corporation are reinforced by the activities of the Research and Productivity Council. The basic aim of RPC, so-called, is to create a demand for improved technology, better. engineering and management, and to attempt to satisfy that part of the demand which is best supplied close to the production line. This is done by encouraging companies to provide their own experts and facilities, or alternatively, by undertaking it at the council's own laboratories and workshops at the university campus. Since 1963 the province has invested more than $1.5 million in RPC. This year we are providing an increased grant of $550,000. This grand total of $2,057,- 000 does not include ADB grants to the council in excess of $1.5 million.

As I indicated earlier, Mr. Speaker, this government is also deeply committed to an effective human resource development program. Additional funds are pledged for the continuing development of a positive and integrated manpower program for the province. The importance of expanding such services is well known. The Economic Council of Canada, for example, which Dr. Deutsch heads, suggests that approximately half of the income gap between the Atlantic region and the national average can be explained by differences in the utilization of available manpower. In this area of manpower development, we are forecasting an increase in provincial expenditure this year in excess of $1 million. Let it also be clearly understood, Mr. Speaker, that our prodigious investment in basic and post-secondary education has a very great long-term effect on our development capabilities.

The Community Improvement Corporation has been selected as the province's major instrument for stimulating the maximum possible economic and social development of lagging areas of New Brunswick. Under the two agreements with the federal government, signed in September of last year; over $114 million is to be invested in the northeast and Mactaquac areas to implement a comprehensive rural development scheme. This scheme is designed to increase the level of incomes and standards of living of the people presently living in these areas.

In a unique approach to federal-provincial shared programs, the Community Improvement Corporation is to have overall responsibility for planning and coordinating the program under the terms of the agreements. This approach, Mr. Speaker, has never before been attempted in Canada. The CIC will coordinate the activities of federal and provincial departments and agencies, ensuring their integration with municipal and local efforts.

This is indeed a complex and massive task. These initial programs are to run for a period of 10 years and will cover a broad spectrum ranging from investment in educational facilities, technical and vocational training and adult education to population distribution, housing, resettlement and rehabilitation, transportation, recreation, and the rationalization of land use. It is a comprehensive approach to development, and the Community Improvement Corporation's task will be to ensure that each program to be implemented by the federal or provincial agency involved fits in with the overall development program.

For the coming year initial expenditures by the Community Improvement Corporation will approximate $6.5 million. This, however, is only part of this year's program and does not include expenditures for these regions authorized elsewhere in the estimates. Greatly adding to this basic investment will be the school construction program of the Department of Education and the manpower retraining activities of the Department of Labour.

One of the major paths to the expansion and diversification of New Brunswick's industry has been through our relationship with the Atlantic Development Board. Upon our recommendation this board has already committed over $40 million in New Brunswick for assistance in lhe provision of services to established industries and local communities, for aid in the establishment of industrial parks, for expansion of basic power and transportation facilities, and for assistance to higher education and research. This should be a clear answer to those who suggest that this government does not take seriously the possibilities of ADB for the development of the province.

Indeed, Mr. Speaker, we are at this time, among other things, requesting that the Atlantic Development Board undertake to make available to the province 90% of 1 he total cost of a provincewide arterial highway system. This system is to be completed over a 10- year period. It will provide the high-quality year-round interconnection between the province's centres of actual and potential industrial growth so essential to the province'S economic development. The coming year will mark phase one of this arterial highway program. We have provided for a $10-million expenditure under this plan, together with a projected $9-million revenue recovery. It must be noted, however, that should federal participation on this scale not be forthcoming, the program will, for the time being, be held in abeyance.

My last remark, Mr. Speaker, has a direct bearing on the province's attitude toward the Atlantic Development Board. It is our belief that the federal government is entirely serious in its intention to assist the Atlantic Provinces in overcoming their economic lag behind the rest of Canada and that the Atlantic Development Board is its chosen instrument for accomplishing this leap forward. On this assumption. it is less than rational to assume the development fund will be limited to the present $l50-million level. In fact, it is not unreasonable to predict in the very near future a development fund in excess of $1 billion. We will make maximum possible use of these development dollars.

As all hen. members are well aware, Mr. Speaker, the level of economic activity in New Brunswick is directly dependent on the level of overall North American prosperity. Despite generally encouraging forecasts of buoyant business conditions in the. United States and Canada, it is our duty and intention to ensure that unforeseen short-term fluctuations do not mitigate against New Brunswick during the coming year.

I am certain, Mr. Speaker, that the expanded spending program I am setting forth will achieve the twofold purpose of sustaining and reinforcing prosperity within New Brunswick and of ensuring its geographic dispersal to all regions of the province. This is particularly true of our capital expenditures which have nearly doubled, to almost $80 million this year. Private capital, while always welcome, tends to concentrate in faster growing areas. The allocation of appropriate proportions of these provincial capital expenditures to lagging areas will go a long way towards equalizing economic opportunities across the province.

This completes my review of our spending plans for 1967-68, Mr. Speaker. As a careful reading of the printed estimates will show, 1 have only touched on the highlights of the many new and improved services which are planned. During' the budget debate, my colleagues will cover their departments in complete detail.

Fourteen years ago my predecessor presented his first budget. Expenditures at that time - ordinary and capital - totalled $52 million. Eight years later, in 1961, I presented my first budget. Expenditures totalled $114 million, a doubling in eight years. The estimates I have presented today total $313,574,174 - $234.7 million on ordinary account and $78.7 million on capital - over six times the size of my predecessor's first budget and over three times the size of his last budget. Which group in this house is most concerned about the welfare of the people of the province, Mr. Speaker? Which group is most capable of closing the gaps to which I have referred? Which group has raised the economic base of the province to permit the services I have talked about today? In which group can the people of New Brunswick place their trust? I can tell you this: This kind of progress is not achieved by bombast and ballyhoo.

Revenues:

I turn now to the financing of our plans. For the fiscal year 1968 I anticipate that total revenues and recoveries of the province will amount to just over ,$300 million, of which $266,227,296 will be received on ordinary account and $34,561,500 on capital account. The total increase over 1967 will amount to $95 million.

Of the ordinary account revenues, significant increases will be realized in sales tax receipts - $14,650,000 -,- and gasoline tax receipts - $2,615,000. It is estimated that the $1.50 uniform property tax will yield $25,700,000. We will be asked by municipalities to collect nearly $12.5 million of local taxes on their behalf.

During the present fiscal year personal income tax receipts should amount to $17,673,000, reflecting not only a more generous tax sharing arrangement with the federal government, but also the results of increased wages and incomes received by New Brunswick residents as a consequence of the continuing high level of economic activity. In addition, our corporation income tax will provide almost $8 million this year.

I have already mentioned the new equalization formula which takes effect this year, and the much more equitable basis on which these grants are determined. It is estimated that New Brunswick wilt receive $69,434,000 in equalization payments, an increase of $35,180,- 000 or more than twice as much as we received in fiscal 1967. Certainly an increase of that size demonstrates very clearly the concern of the present administration in Ottawa that funds are made available to less well-to-do provinces so they may improve the standards of basic services which all Canadians should enjoy, regardless of the province in which they reside.

Despite this greatly increased financial assistance from Ottawa, Mr. Speaker, I wish to point out that of all our ordinary account revenues fully 60% or $161.5 million are derived from purely provincial sources. Direct grants from Ottawa, which include equalization payments, provide 28% or $73.4 million of our ordinary revenues, while 12% or $31.3 million is the federal portion of specific sharedcost programs.

Mr. Speaker, our revenues are at an all-time high. We intend, as in past years, to use part of these funds to finance the major portion of our large and very important capital spending program. In this way we are able to reduce our capital borrowing. As a result, our interest and carrying charges will be that much less in future years. Form of Estimates:

Mr. Speaker, the 1968 estimates have undergone certain revisions in format which I feel require some words of explanation. I should first like to say that these changes arise primarily from a desire on the part of this government to provide the Legislature and the general public with a full and clear picture of the government's financial plans for the new year. This desire is reinforced by the fact that the 1968 estimates will provide for the first full year of operations under the program for equal opportunity. The transfer of responsibilities from the municipal to the provincial level of government has the effect of increasing the provincial budget by a substantial amount. Now, more than ever, it is imperative that the people of New Brunswick receive the fullest information about their government's plans. To withhold or obscure such details from the public, Mr. Speaker, would be an irresponsible act on our part.

The first major change in format is one of emphasis. In previous years it has been the practice to focus attention on the non-capital side of the budget and to dwell on the surplus or deficit figure for that part of the budget. But this approach presents an incomplete picture. It tends to neglect or obscure the capital spending program, which is just as vital and necessary as the non-capital ordinary items.

We on this side of the house, Mr. Speaker, feel that it is much more realistic to look at the total expenditure program, on both ordinary and capital accounts, in order to fully appreciate the size and complexity of government activity in this day and age.

You will note that on page 5 of the estimates, we have provided a summary which presents the total effect of all expenditures and revenues:

Ordinary account expenditures $234,787,174

Capital account expenditures 78,787,000

\_\_\_\_\_\_\_\_\_\_\_\_

Total Expenditures $313,574,174

Ordinary account revenues $266,227,296

Capital account revenues 34,561,500

\_\_\_\_\_\_\_\_\_\_\_\_

Total Revenues/Recoveries $300,788,796

Overall Deficit $12,785,378

The second major change in format is an extension of this new emphasis I have just mentioned. If we are to look at the total expenditure figure and the total revenues, then we must provide comparable information for both ordinary and capital accounts. We have therefore drawn up comparative tables of estimated expenditures and recoveries on capital account, not just on ordinary account as has been the practice in past years. I am sure you will agree that this presents the estimates picture in a much fuller and more informative fashion.

In the detailed presentation of expenditures there are several new votes. Some are the result of reorganizing departments to reflect the regional basis on which operations will be carried out as a result of the program for equal opportunity. This will be particularly evident in the Departments of Health, Welfare, Provincial Secretary and Attorney General.

Other new votes are the result of services for which provision must be .made for the first time, such as the Consumer Bureau, Historic Resources, Translation Bureau, and the New Brunswick Housing Corporation.

You will note that the Service of the Public Debt has undergone considerable change both in format and content. The change in format is simply the addition of two new votes, one for public school debt charges and one for public hospital debt charges.

The province has now assumed certain financial liabilities of the hospitals and schools which are no different from the province's own obligations. In order to show the costs of servicing the province's total debt, and the cost related to each area of debt, separate votes have been established, rather than leaving the interest charges within the Departments of Health and Education where they might not be so readily apparent. I wish to stress that school boards and hospitals will continue to be responsible, as our agents, for servicing their portions of what is now provincial debt.

I am sure the Financial Critic will be quick to note that the Service of the Public Debt does not contain any provisions for sinking fund instalments. This is a move which is long overdue and which is necessary if we are to attach full significance to the concept of net debt.

In order to be clear on this point, I will present what I trust is obvious to those concerned with financial matters. The net debt of a government is the accepted measure of its financial position. I wish to point out that in the estimates for 1965 there was included for the first time a statement of estimated change in net debt based on th e figures contained in those estimates. This was a major step forward in providing information to the Legislature and the public, because it set out plainly and simply the effect of the budget on the province's financial position. We have continued to provide such an estimate each year.

If we accept net debt as the measure of our financial position, as most provinces and Ottawa do, and if we wish to see how each year's estimates affect our net debt position, it follows that we should be primarily concerned only with those items which increase or decrease the net debt. These are usually termed budgetary items, and they affect net debt in the following ways.

Budgetary revenues decrease net debt because they increase our cash assets without increasing any liability. On the other hand, budgetary expenditures increase net debt since they reduce a cash asset without increasing any other assets or reducing any other liabilities.

It follows, therefore, that if we have a transaction which merely changes one asset, or liability, for another, that transaction can have no effect on our net debt position.

For many years now we have included just such a transaction in our estimates. I refer to the payment of sinking fund instalments. Making a sinking fund instalment merely reduces one asset - cash - and increases another asset - sinking funds. There is no effect on liabilities, no effect on the total value of our assets, and hence no effect on our net debt.

Because sinking fund instalments were formerly included in ordinary account, it was necessary to deduct them when calculating our change in net debt each year, as reference to the estimates for 1965 through 1967 will show.

You will also note that in the Public Accounts the annual statement of net debt includes the deduction of sinking fund instalments from the excess of budgetary expenditures and budgetary revenues in order to arrive at the change in net debt.

We are therefore fully justified in removing sinking fund instalments from ordinary account. This is in line with proper and accepted accounting procedures and in keeping with the practice in other government jurisdictions.

In order that the Legislature is kept informed of the sinking fund -instalments which are required during the year, we have included a separate table for information purposes at the back of the estimates book. This shows the amounts related to provincial debt, school debt and hospital debt which- must be converted from a cash asset to a sinking fund asset.

Conclusion:

Mr. Speaker, the expenditures which I have presented today exceed the total of the two 1966-67 budgets by over $90 million. Total capital and ordinary expenditures will be $313,574,000. Total revenues and recoveries will reach $300,788,- 000. The difference of $12,785,000 represents the portion of capital expenditures which will be financed by borrowing.

This is a magnificent achievement for our province, Mr, Speaker, Of total capital expenditures of almost $79 million, all but about $13 million will be financed from current revenues and recoveries.

The overall effect of this budget will be to increase our net debt by $9,738,588. This is determined by taking the difference between all expenditures and all revenues, and then substracting estimated sinking fund earnings of about $3 million.

Very few provinces are as candid about the effect of their budget on net debt, Mr. Speaker, but we believe the Legislature should have such information. Further, we see no reason to hide the facts. It is a small amount in relation to our total budget, and it represents a small cost indeed to move the province so far along the road to full Canadian citizenship. This budget, Mr. Speaker, will be New Brunswick's largest and by far most important centennial project. That is why 1 would suggest you call this budget my Centennial Budget. And it has other good news, Mr. Speaker - it contains no new taxes.

For two years the opposition fought the program for equal opportunity. They refused to recognize the need and the dimension of that need. They claimed it would bankrupt the province, and they cried that we had ignored economic development.

As usual, they were wrong. They were wrong on all four counts, The new program is a reality. The needs are recognized. The province's financial position is sound. And we have expanded those programs which provide the forward thrust to our economy on which future progress depends, This budget confirms the soundness of our policies.