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Mr. Speaker: In rising to present the traditional motion of supply, I am even more keenly aware than in the past of the hazardous existence and unpopular r-ole of finance ministers everywhere. Indeed, 'anyone concerned with finance and economics and the consequent duty of forecasting events must in times like these long for the days when life was simple, when patterns were preddictable and when change was unknown.

Last December, when we first turned our minds to the budget submissions for 196B-69, we attempted to improve our understanding of events 'by inviting officials from the Bank of Canada and the federal Department of Finance to present their views on the economic situation and outlook. Much of their excellent presentation may have been lost on those who were unfamiliar with the eccentricities of economic language and thought. What clearly emerged for all to see, however, was the simple fact that New Brunswick, or any other community, is not an economic island.

This same thought was well expressed by Mr. Louds Rasminsky, Governor of the Bank of Canada, speaking in St. John's, Newfoundland last January, In speaking of the interdependence of the countries of the western world; he said: "We are all so clearly bound up with each other that we cannot fail to be adversely affected by other peoples' difficulties . , ." And later he went on to say: "We have again been reminded in recent weeks of the openness Of the Canadian economy ..."

In short, Mr. Speaker, our situation at any given time is in large part determined by events far beyond our boundaries and Iargely beyond our control. Yet we must somehow come to terms with these external forces and shape our own future as best we can.

(TransIation)

Mr. Speaker, since an official ; French version of this budget has been prepared and since we have simultaneous translation services. I ask you for indulgence in order to give this speech in English only.

(English)

Before turning to the budget for the new fiscal year, I want to review briefly those events in the 1967-6B fiscal year which served as a base for our budget decisions.

Economic Situation

Last week I tabled my annual comprehensive review of the New Brunswick economy and outlook for the coming year. It revealed that during 1967, for the third time in the past four years, New Brunswick's rate of growth was greater than that of Canada as a whole.' The total value of goods and services, as measured by the gross provincial product, was up 8% in 1967 compared with 7% for Canada.

On a per capita basis, our performance was even better. From 1966 to 1967 the gross provincial product per person in New Brunswick rose from $1,875 to $2,016. That is an increase of 7.5% or $141 for every man, woman and child in the province. In Canada, the increase was only 5.0% per person. Again we succeeded in narrowing the gap slightly between our output and that of the rest at. Canada.

The main impetus in 1967 came from the construction industry, The latest estimate places the total value of capital expenditures on construction at $275 million, a 15.8% jump from the 1966 level of $237 million. The 'bulk of the gain was in institutional and governmental projects where the increase is expected to be 55.8% or $48 million. Of course, this reflects the stress- on new and improved schools, hospitals, university 'buildings and roads. It also reflects a conscious effort on the part 'of the New Brunswick government to bolster the economy as much as possible when it appears that some slack may develop.

Total wages and salaries continued to gain steadily, showing a year to year increase of almost 8%. The value of retail sales was up 4.2 %, In each case, however, about half of the increase consisted of ,price changes.

Capital Financing

During the past year, capital markets throughout the world have experienced difficulties unusual in both their scope and severity. Problems SUM as devaluation, exchange reserve losses, supporting the dollar and gold speculation have become commonplaces, and the financial world asks "What next?" as they stumble through one crisis after another. As one investment dealer aptly expresses it, "The country seems to be mixed up in a game of financial blindman's buff at the edge of a precipice."

One could go further than this. Thanks to modern communication systems, the world's currencies and economies are inextricably tied together, and a shock in one area is followed by a wave that eventually rocks even the most humble. There has been no scarcity of shocks, and one result has ,been a continuing trend towards more expensive money.

Government of Canada and provincial bonds are trading at all-time low-price levels, and new issues have had to bear correspondingly high interest rates in order to attract sufficient investor interest. In the current fiscal year the province has 'Placed two issues on the public market. In July an issue of $10 million 6-3/4% bonds was sold at a cost of 7.00% on $:l million of a six-year maturity and' 7.02% on $8 million of a 25-year maturity. In December a further issue of $10 million 7-1/2% bonds was sold at a cost of 7,77% on $4,200,000 of a five-year maturity and $5,800,000 of a 25-year maturity. Also, $19,328,000 of 20-year bonds were sold to the Canada Pension Plan Investment Fund at various interest rates. The average cost to the province on a11 long-term borrowings was 6.63%. During the same period, $11,425,000 of the province's funded debt and around $7,- 500,000 of county, hospital and school debt was retired.

Conditions in the short-term money markets have paralleled those in the Iong-term bond markets. Money has been available, but, again, at relatively high interest rates. We have attempted to minimize The effect as much as possible, by taking advantage of varying rates' in the money market as we'll as obtaining funds from the chartered banks, our traditional source of supply.

One further step was taken in our constant endeavor to improve the credit rating of the province. In conjunction with the New Brunswick Electric Power Commission the province sponsored a presentation and reception in Montreal and Toronto for senior officials from investment institutions, The response was highly gratifyirig and should result in more investors being prepared to add' Province of New Brunswick and Power Commission bonds to their investment portfolios than might otherwise be the case, Financial Results

Before reviewing the financial results of the current fiscal year, Mr. Speaker, I should like to point out that the Public Accounts for the year ending 31 March 1967, which were tabled earlier in this session, show that the province assumed a net debt of almost $67 million which had been incurred by counties, school boards and: hospitals. I wish to stress that the $6'1 million debt figure is over and above the value of any realizable assets that were transferred to the province.

This massive debt transfer represents a tremendous relief for local institutions, while the shift in responsibility to the province provides for a more stable and diverse economic base f,rom which the debt can ,be serviced and managed.

I should now like to review the estimated financial results for the 'current fiscal year, You will recall that when I brought down my budget last April I predicted a total expenditure program of $313,6 milIion and total revenues of just over $300 million. The overall deficit was estimated at $12.7 million with a planned increase in net debt of $9.7 million, both of which the province was perfectly capable of assuming.

I said at the time, Mr. Speaker, that our financial program for the current year was a magnificent achievement. Not only did the government undertake to provide a high level of service, it also lifted the huge burden of increasing social expenditures from the financial shoulders of the municipalities, after having just assumed responsibility for the accumulated debt of counties, schools and hospitals.

In the current year, Mr, Speaker, our total spending will amount to an estimated $314.3 million - a figure only slightly over that which I presented to the Legislature last April. I am sure all ,hon, members will agree that in these times of rising costs and increasing demands for services the demonstrated ability of a government to live within its planned program indicates sound budgetary management.

On the revenue side of the picture, I had anticipated returns of just over $300 million and a resulting deficit of $12,7 million which represented that portion of our capital spending program to be financed' by borrowing.

According to our latest figures, it now appears that an additional $7,5 million of the capital program will be financed: by borrowing. This change was caused by lower recoveries on certain capital projects in highway construction, public buildings and' public schools.

Although the original capital recovery estimates were considered accurate, the reallocation of capital spending during the year affected the amount of recovery available from the federal government.

Fiscal 1968 was our first full year of operation under the program for equal opportunity. In reviewing the financial record: for that year, we should, ,bear in mind that the province has consolidated on its own balance sheet the sum of many debt Increases that would otherwise have been borne by local institutions.

In past years, Mr. Speaker, I have ,given a rather detailed review of developments in federal-provincial relations, While many meetings have been held in the past year, they have dealt mainly with either technical details or with broader issues which do not bear directly on the budget. Because of this, I do not 'Propose to deal with federal-provincial r elations today.

I turn now to an outline of our plans and expectations for the new fiscal year,

Plans for 1968-69

Economic forecasting is a doubtful, art at best, Mr. Speaker, and .events of the past year offer little in the way of firm guideposts to the future.

Canada's chief trading partner seems hopelessly involved in The costly Vietnam conflict and beset with unprecedented racial and social problems at home. Britain, trapped in a spiral of mounting costs and dwindling exports, is struggling to support the pound and enhance its position in the markets of the world. High interest rates, rising costs and burgeoning unemployment dog the footsteps of governments in all three countries. Current pressures on both the American and Canadian dollars merely compound this general uncertainty.

In Canada, our efforts to contain inflation have not been entirely successful. The results of the Carter Report and the Kennedy Round on world trade remain mere speculation at this time. The pressures on Confederation show little sign of a'bating and might still bring results for Canada which would affect the living standard and prosperity of all its citizens.

The Atlantic region faces its own peculiar problems, many of which have been our unwelcome companions for too long. It is an irony that while we do not share fully in the prosperity of all Canada, we share more than fully in its unemployment, high interest rates and inflation. Our primary industries seem restless; the prospects for coal are no brighter: housing is short and money is costly, and many of our most productive workers still 'leave the region.

With this ,background, Mr. Speaker, it is with considerable temerity that I attempt to forecast our prospects, in New Brunswick for 1968. Despite external conditions, I am fairly optimistic. Given an average fishing and crop season and a stable money and' mortgage market, the outlook for 1968 is for a reasonably good year. Gross provincial product should 'grow by about the same amount as in Canada as a whole in the order of 7% to 8%, A'bout half of this will again be in the form of price changes. In contrast to the fluctuations experienced in 1967, it is expected that growth in 1968 will probably be steadier.

Budget Policy for 1968-69

Mr, Speaker, I have dwelt at some length on the international, national and! regional influences which combine to make 1968-69 a hazardous and disturbing year for ministers of finance. And yet, as I mentioned earlier, we must somehow come to terms with these forces and lay our plans as best we can.

Given the conditions we face, the range of choices is not great. Clearly, one choice is simply to ignore

circumstances - to pretend that we are not part of a larger economy - and to proceed at full speed, spending in response to pressures and 'borrowing as much as the market will allow, In such times, this would be not only folly but irresponsibility of the worst kind.

The key issue in the last election was just this, Mr. Speaker: responsible plans versus irresponsible promises, The people of New Brunswick have, 'by returning the government to office, clearly indicated their preference for a responsible approach to political affairs in general and to financial affairs in particular. Our choice of alternatives, then, is not hard to make.

At the annual meeting of finance ministers held in Ottawa last November, I was struck by the fact that virtually all ministers agreed on the unsettled state of the national economy and on the need for restraintt in government spending, That such a situation should come at this time is particularly unfortunate for a province which has so recently launched an ambitious program of reform and economic betterment for its citizens.

I hasten to add that this in no way means forsaking any of the goals which we set for ourselves when the program for equal opportunity was launched. It does mean, however, that in some areas we must proceed more slowly than we would like. It also means that we must give careful attention to our spending priorities, to make room for advancing our first priorities without undue reliance on borrowing or major tax changes.

In these circumstances, our review of the budget has been based on two major premises. First of all, we decided' that emphasizing our priorities must ,be 'achieved largely at the expense of existing programs. It is comparatively easy, Mr. Speaker, to determine first priorities. I can assure you, however, that it is an extremely complex and perilous task to determine those services which constitute last priorities. While we made some headway in our discussions, we found that this is not a particularly popular game with ministers and departments who are concerned with providing the public with the best possible services. We also found that the task required much more time and thought than is 'Possible under the pressures of budget-making.

We have thus concluded that this process of determining last priorities must be a continuing one, and to this end my colleagues will be spending the summer and fall reviewing their programs in detail, using cost-benefit analysis and other techniques. I know that my colleagues may find this a trying experience, but I believe it to be essential if we are to phase out outmoded and ineffective programs in a rational fashion.

The second premise in our minds as we conducted our budget review concerned our capacity, ability and willingness to borrow. We have always been very conscious of our credit position in the financial markets. Over the past few years, our borrowing has decreased in relation to our annual cash needs. We have been able to meet a larger and larger proportion of our capital ,budget from current revenues. Given normal market conditions, the beneficial effect of these policies would be even more apparent than it is.

We are determined to continue these policies. They demonstrate our fiscal responsibility in a manner which the buyers of our bonds understand. They ensure that the bonds of the province and of the PowerCommission enjoy a good reception from investing institutions.

If we are to limit our borrowing to realistic amounts, we must look to current revenues to finance those services - both current and capital - which we want now. I shall return to this topic at a later point in my address.

These, then, were the factors which guid'ed our budget decisions this year: restraint in overall spending and a 'limitation of our demands on the capital market. Both are influences imposed by national and international situations largely beyond our control. As an examination of the key figures in the budget will show, I think we have succeeded in accepting these limitations in a realistic manner, at the same time giving positive recognition to our priorities.

As an example of the restraints we have imposed, I would point out that only 25 additional positions over the current Civil Service establishment have been allowed' in 1968-69. Our, overall expenditures, both ordinary and capital, will amount to $322 million in the forthcoming year - an increase of less than 3%, I turn now to a detailed examination of the spending plans for that $322 million.

Education - First Priority

More than three years ago, a White Paper on the Responsibilities of Government was laid before this House. It stated, in part:

"The actions and policies of government must aim toward, the objective of guaranteeing acceptable minim um standards of social, economic and cultural opportunity without in any way restricting maximum opportunities for the individual, the community or any sector of society.

"The success or failure of a nation can only be measured in its people, If its people are nourished, healthy and educated, t'he other measures of success - wealth and work, creativity and culture, material goods and mental achievements - ,follow with relative ease,"

This remains the basic and unalterable conviction of this government. But to continue its implementation in the present circumstances, and to ensure the highest possible return, we must discriminate carefully in the investment of our resources.

The budget now before you asks that the first priority be given to education, that our first investment be made in the generation now in school and now at university, In pursuit of this, the government will spend about $84 million next year for operating and capital purposes at the public school, trade and technical, and teacher training levels of education, This represents about 25% of the total government spending estimate and is an increase over the current year of $5.5 million. These amounts, Mr. Speaker, do not include our generous assistance for university education.

The foundation of a sound educational system rests primarily on its qualified teachers, on its program of studies and on the excellence of its physical facilities. To this end, the government will spend about $40 million on teachers' salaries in the coming year - almost 50% higher than the total cost of teachers' salaries only two years ago.

With the opening of the new Teachers' College in Moncton, we will almost double the present teacher training facilities and provide an unprecedented opportunity for French-speaking students to attend an institution devoted entirely to instruction in their own language.

Taken together, operating costs for teacher training' in the province will amount to $1,085,000 next year - about 50% higher than during the current year.

The new program of studies announced almost one and a half years ago is now available in many parts of the province. To widen its scope, and to help ensure that teachers are aware of its contents, about $200,000 more will be spent in the new year on new programs of study, new textbooks and on specially designed teacher upgrading programs.

Clearly, however, the teaching of a strong curriculum requires the right kind of environment and housing if its benefit is to be fully absorbed by the students. This underlies the urgency of a capital program that will replace worn-out and outmoded structures and enhance and improve other facilities. By its very nature, it also increases the need for more and better transportation facilities as new schools in new areas replace older inadequate facilities elsewhere. To meet these needs, the government will spend about $17,7 million in 1968-69 on school construction and buses - an overall increase of $2 million.

When these new schools are completed - and a number are already under construction - they will provide new educational housing for more than 27,000 students, or about 15% of t.he total pupil population In New Brunswick. 'In addition to providing buses for new schools. the Department of Education will replace about 10% of the current bus fleet.

This heavy investment in better teachers, contemporary curriculum and better school facilities are all vital parts of our long-term program to make educational opportunity of the highest possible standard equally available to everyone.

We are particularly conscious this year of the pressing and expensive problems which exist in the field of higher education. Again, we are making substantial increases in our support for these purposes. Total operating grants for universities and colleges will rise by more than 30%, to $11.7 million. Arrangements are being completed for a special bond issue for $20 million to expand and improve buildings and other facilities, and we shall double the amount available for student aid.

All of these are large commitments. They are concrete evidence of our conviction that a strong and vigorous system of post-secondary education is vital to the future progress of our people.

The financing of .higher education will offer great challenges in the years ahead. It will also be extremely costly. Already in this decade government grants to universities have grown fivefold. By the end of the next decade, U present trends continue, we would be spending $100 million a year on just this one item.

Mr. Speaker, we attach a great deal of importance to preserving university autonomy and responsibility. In no other area have we provided so much money with so .few strings attached. But the taxpayer must have assurance that the demands made upon him are reasonable, and that his funds are used as effectively and as efficiently as possible.

That is why we have set up an independent commission to advise on future needs for all the various forms of post-secondary education, We intend that this commission should be concerned with planning, coordinating and setting priorities. The commission has recently published its first report which contains certain guidelines for the future development of post-secondary' education in the province. A summary of those guidelines bears repeating.

First, government grants must be set at a proper level. But once this has been done and the formula for

public assistance is known, each university is responsible for arranging its internal affairs and setting its budget, without resort to deficit financing. This is the only real alternative to increasing government intervention in university affairs.

Second, there should be no discrimination between institutions, or between the various forms of postsecondary education. Each should receive that level of support which is appropriate to its responsibilities and to its stage of development.

Third, we should be prepared to undertake inside the 'Province, or at any particular location, only those programs for which costs are reasonable, the necessary resources are available, and adequate quality can ,be maintained. But we also need 10 make sure that there are suitable arrangements for those students who must attend school elsewhere.

Fourth, no matter how important it is to aid institutions, we must also ensure that every student who is qualified, capable and interested .has access to post-secondary education. The immediate objective must 'be to eliminate those financial and other barriers, including inadequate high school opportunities which now prevent many of our gifted young people from continuing with their education.

The government believes that proposals involving public support for higher education should come before it only after they have been studied in detail by the higher education commission. This commission is now at work on a number of important studies, and we shall consider its recommendations very carefully as guidelines for our future policies. We hope that the Province's institutions, and their students, will work with the commission in a constructive and forward-looking spirit. With their guidance we intend to strengthen and improve our efforts to give the province's young people the education and skills they need to build a better life for themselves and for all our citizens.

Programs for Economic Growth

The task of inducing faster economic growth ranks equally with education in our priorities. You cannot have one without the other.

New Brunswick cannot expect to build the kind of skilled educated work force necessary for industrial development if it continues to lose its most productive workers to the rest of Canada, if it suffers higher than average unemployment, low population 'growth and low income per member of the Iabour force.

There is only one answer to these problems, It lies in policies which will produce a rapidly growing number o.f productive employment opportunities, In a few moments I will outline some of the measures we are taking in pursuit of this end.

Before doing So, however, I should emphasize that we cannot do this by ourselves; we are part of the larger economic region of Atlantic Canada. If we are to succeed in expanding our overall growth, provincial governments must work together effectively with the federal government.

We are now working with the four Atlantic provincial governments and the Atlantic Development Board in forming a coordinated overall development plan for the region. We are also cooperating in attacking transportation problems, in achieving a more rational distribution of the region's existing power production and in stimulating primary resource growth.

In the past, the federal government has cooperated closely in expanding economic growth. We are in almost continuous consultation with the Atlantic Development Board, the Area Development Agency, ARDA and the Fund for Rural Economic Development.

However, Mr. Speaker, despite this we still have a long way to go. I do not wish to suggest that we are entirely satisfied with the federal government approach. We wilI continue to make strong representations to the federal government for a better policy, Unfortunately, efforts of numerous federal agencies in the region, including the Atlantic Development Board, are often contradictory and self-defeating, working at cross purposes to their own and provincial efforts.

However, we have already presented positive proposals to alleviate these situations. We have suggested that the Atlantic Development Board be transformed and given broader powers and responsibilities, including the provision of economic advice and publication of objective analyses of federal and provincial development programs. The board must have sufficient loan and investment funds to be directly involved in stimulating the region's broad industrial growth, not merely in the safer and often less productive public capital projects.

Mr. Speaker, despite these broader considerations, a primary responsibility for our economic growth remains with this government. We are taking vigorous measures to achieve this goal.

Our own development efforts will ,be made more effective by the creation of the new Department of Economic Growth. The key functions of this new department will be to plan, direct and coordinate the bread strategy of economic and industrial development activities in the province. The preparation of an overall plan and strategy is to be assigned to a special cabinet committee, chaired by the Minister of Economic Growth and staffed by a highly competent planning secretariat. In setting out our development framework, advice and experience will be sought from the province's private sector, including both labour and management.

Special development problems such as those in the transportation, industrial and export fields will be bandied by specific branches of the new department. Plans are now ready to set up a transportation branch, expanded industrial services and industrial information branches, and a development coordination branch. Specific industrial problems will be examined by the most competent consulting firms available under the close supervision of senior public servants. Both the Research and Productivity Council and: the New Brunswick Development Corporation will report to the House through the Minister of Economic Growth. A new office has been set up in London to reinforce our efforts in securing European investment in New Brunswick,

To back un these activities. the budget of the New Brunswick Development Corporation has been more than doubled. We plan to appropriate approximately $13.2 million for the corporation's development projects in the coming year. Through its efforts we expect an unprecedented level of new manufacturing activity to locate in New Brunswick. To complement its professional staff, the Corporation's board has been reorganized to give us the advice and' experience of private business.

The provincial grant to the Research and Productivity Council has been increased to $600,000 in order to reinforce the .high degree 01 success now being achieved, .by the council, Already, it has attained an international reputation in applied industrial research, food technology, and, management and engineering consulting, In all of its activities, the council has concentrated on 'building up its competence in those areas directly applicable to New Brunswick needs. The federal government has recognized the council's value to the region. through a $1.5-million ,grant for expanded research facilities and, more recently, by approval of a $379,000 grant as the first stage of a five-year capital equipment program.

Turning to the primary sector of the ,province's economy, we' are hopeful that our current expansion can be accelerated. The budget 01 the Department of Natural Resources has been increased by nearly 40%. Large scale efforts will be made to eliminate pollution problems on the St. John River. This year more than $1.5 million will be spent by the department on clearing up industrial pollution above the Mactaquac dam. The department will also expand its services to the forest and mining sectors. Two new district 10rest offices will be opened, The reforestation program will be increased, and an experimental program in aerial fire, patrolling will be introduced.

Expenditures by the Department of Fisheries will also be substantialy increased. Over $650,000 will be spent on extending fisheries -training to' 'greater numbers of, fishermen, on enlarging the Fisheries School at Caraquet, in providing economic data to rationalize the industry, and in completing a new marine haulout. A new fish inspection and marketing branch will be established to improve both the quality and marketing of fish and fish products produced in New Brunswick. The department will initiate exploratory fishing projects designed to improve the province's mackerel catch, Despite decreased federal assistance, the Fishermen's Loan Board will maintain the level of its loans at virtually the current level.

Expenditures by the Department of Agriculture will be increased in the new year to'provide expanded assistance to the agricultural sector, particularly in the areas of veterinary, field Jiusbandrv, and hort.icultural services. An additionar $41,000 will 'be spent for buildings and equipment at the Bon Accord seed ,potato farm to improve the quality and" 'quantity of prime potato seed produced in New Brunswick, The Farm AdJjustment Board will nearly double its low interest loans to farmers by .increasing the funds available from $1.4 million this year to $2.6 million in the coming year.

In addition to our overall development activities, special attention is being devoted to two specific problem areas within the province the Mactaquac and the northeast rural development areas. In September 1966 the province signed an agreement with the federal government, launching two comprehensive development programs, These programs aim at alleviating social and economic stagnation of such magnitude that normal programs could not be expected to bring about rapid improvement. To Coordinate and focus the development activities of all government agencies in these areas, We established the Community Improvement Corporation to be responsIble for overall planning and 'Program, coordination.

In the corning year we plan to spend approximately $8.6 million under the: Fund for Rural Economic Development program in the two development areas, Recoveries from the federal. government under the program will total over $6.2 million. Under Community Improvement ,Corporation supervision the bulk of the expenditures will be made ,by government departments. In some instances parts of the program will 'be implemented by CIC itself. Almost $800,000 will be spent on the development of viable economic

activity in the fisheries and agricultural sectors. Over $1 million will be spent on tourist and recreation development. Road communications will be upgraded to the extent of $1.5 million, and $1.1 million will be invested in improved housing facilities, A counselling program will be implemented to ensure that residents of the areas are able to make proper use of the assistance available.

Reinforcing the activities of CIC in the development areas will be the school construction program or the Department of Education and the manpower retraining activities or the Department of Labour, I am confident that these combined efforts will permit the residents of the development areas to become active participants in the economic and social progress of New Brunswick.

As I mentioned earlier, the financial conditions imposed on us by the national and' international situation have made it imperative that we re-examine our expenditures and our priorities, With limited resources, some agencies must be restrained.

The major contributor to the increases in education and economic development will be the highways program. We have reduced our highways capital budget to $28 million, approximately 53% of last year's level. We do not expect this to become a fixed feature of our budget. Mr. Speaker. Quite aside from financial considerations, there are good reasons f.or pausing in our construction program at this time. For the past few years we have undertaken a huge road-bullding program, among the .highest in Canada in terms of expenditure per capita, We have consistently maintained one of the highest percentages of our total budget devoted to highways being second only to Newfoundland and far higher than the proportion devoted to highways in the wealthier provinces.

Further, Mr. Speaker, we have established a new highways planning branch in order to provide the Government with a rational determination of highway priorities. road standards, and project and man-power scheduling. Until highway needs and priorities have been reexamined on this 'basis, we feel we should hold the department's capital program at this new level.

Services to People

The development and investment phase of government operation, however important, is only a portion of our total program, Another critical area of responsibility lies in what I like to call "services to people" - providing our citizens with the facilities, assistance and encouragement to be able to participate effectively in the more long-term and crucial programs of development and investment.

If a man is sick, or poor, or badly housed, he will not see much purpose in heavily financed programs or education and industrial development. He must be capable of deriving some benefit from such efforts.

Following the introduction of the program for equal opportunity, enormous progress has been made in these so-called complementary areas of health, welfare, youth and justice. Subsequent programs in housing and human rights have also 'been successfully initiated. These changes have been undertaken with two objectives in mind: improvement of services and' more effective use of existing resources and programs.

Expenditure in the new Department 0'£ Health and Welfare will reach about $72,3 million in the new year - slightly more than 5% above similar expenditures in the current year. Most of the increase is concentrated in the areas of public hospitals, social and child welfare and public health - those expenditures which we feel will be most 'beneficial in the pursuit of our basic objectives. In an effort to maintain public hospital operation at an adequate level, payment of operating funds to these institutions will increase in the coming year by 10% - from $35.6 million to $39.4 million. Child and social welfare payments will rise by about $2.7 million. partially because the existing level of payments for some services, such as food', has grown increasingly unrealistic.

Accompanying these increases will be intensive administrative and professional efforts to ensure that benefits are paid as equitably and as quickly as possible.

Preventative and analytical health services, through public hearth and laboratory services, will be increased by the addition of almost $ 289,000 over similar expenditures curing the current year. Finally, facilities for health services will receive an injecuon of about $3 million for hospital construction, slightly more than $3 million above what was budgeted during 1967-1968.

Youth programs, bolstered by increases for cultural development, guidance, sports and recreation and student aid, will play a greater part in the dally lives of that growing proportion of our population under 30. Emphasizing this government's concern over the increasing costs 0,1 securing a higher education, $1 million has been allocated in the Youth Department budget for scholarships, bursaries and postgraduate grants - about double that actually spent in the current year. The Post-Secondary Education Commission will be making recommendations to the government on the most effective method of providing a fair system of student aid.

But no matter how effective programs in health, welfare or youth development may be. their effect will diminish if increasing numbers of our citizens continue to live in poorly constructed and improper housing. Recognizing this, the government established the New Brunswick Housing Corporation, through whose efforts more than $10 million will be poured into public housing, urban redevelopment and land assembly during the new year. Low cost adequate housing will be provided in al.l sections of the province as a beginning In what the government hopes will be a long-term program for urban and rural housing rehabilitation.

More than 500 public housing units will be built m the next two years across the province. The overall impact of this program will be more than the provision of housing, it will mean jobs and productive work, for many New Brunswickers.

Mr. Speaker, 1968 is International Human Rights Year, It is singularly significant that this will also be the first time in New Brunswick that a Human Rights Commission appears in the provincial estimates. In operation since late last year, the commission has already held hearings and Investigations throughout New Brunswick. Its work to date more than justifies Its creation; the funds provided in the estimates will help to ensure that its efforts will continue to bear fruit.

The program introduced this year for the development of the province's historical resources is now well under way. In addition to its original function of coordinating the province's existing historical and museum responsibilities and planing for orderly future development in these areas. Historical Resources Administration has been assigned the responsibility for implementing the historical projects included in the Mactaquac regional development program. In addition, the Provincial Archives has now been established and will be officialiy opened to the public this spring.

The programs I have mentioned, combined with reorganization of the Departments of Justice and Labour in a manner which will make their services more efficient and effective for all citizens, provide a sound basis on which the people of New Brunswick may look to a rewarding and secure future.

Collective Bargaining

Mr. Speaker, because of its importance to so many people, I want to devote some time to the question of collective bargaining. The government has announced its intention to introduce legislation providing for collective bargaining in the public service at the fall session. The public service, for this purpose, includes all those Public agencies financed totally or in part from the Consolidated Fund, including the Civil Service, hospital board's, school boards, and a number of other corporations, boards and commissions. The total number of employees involved exceeds 20,000.

Of this number, some already enjoy full collective bargaining rights under the Labour Relations Act. For example, trade union locals in certain hospitals and school districts have applied for certification as bargaining agents under this Act and have been properly certified by the Labour Relations Board. These locals bargain with their respective hospital and' school boards. Other employees of the same boards have

enjoyed a measure of de facto collective bargaining but with a different employer. When considering alterations to the provincial pay scales for employees, for example, the Ministers of Health and Education have accepted representations from, and held discussions with the professional associations of nurses and teachers. Still other public employees have no collective bargaining rights of any kind.

To correct this situation. the proposed collective bargaining legislation will designate Treasury Board as employer for all public servants. for bargaining purposes only. Provision is made for the establishment of a Personnel Policy Division in Treasury Board to exercise this function.

Perhaps I may anticipate 'here any suggestion that this measure involves centralization of authority in the hands of the government, Such is not the case, Mr. Speaker. Treasury Board already has the power to control effectively the payroll of any of the agencies involved, through the budget process, School boards and hospital ,boards are at present in the unenviable 'Position of being Iegally obliged to bargain with their organized employees without any control of the funds necessary to implement whatever agreement they might reach. In this situation, the Provincial government is, as one writer put it, "the ghost at the bargaining table," The boards in Question have handled this difficult situation with tact and responsibility, but assignment of the bargaining function to the Personnel Policy Division of Treasury Board will relieve them of an impossible task and enable employee organizations to deal directly with that agency of government which is empowered to make binding financial commitments. It must be stressed that all other powers of the employer, including hiring and firing, will remain unaffected.

The development of a collective bargaining system for a work force of the size involved is a major undertaking. For this reason it is necessary to establish the Personnel !Policy Division in anticipation of the passage of appropriate legislation. The division will be responsible for performing or coordinating the necessary preparatory work, a major item in which is the classification or reclassification of the entire public service. On passage of the enabling legislation, the division will represent the government in bargaining with organized employees, as well as in arbitrations of collective disagreements and in adjudication of individual grievances.

It will be necessary to establish a Public Service Labour Relations Board, with an independent chairman and representatives of both management and labour, to establish initial bargaining units, certify bargaining agents and supervise the arbitration of disagreements and grievances. 'I'his board, subject to the passage of appropriate legislation, will be appointed, towards the end of this year, by which time classification of employees should be largely completed. The board will establish bargaining units as soon as possible thereafter, and will then receive applications from employee organizations for certification as bargaining agents. It is anticipated that this process will take some months, Collective bargaining will probably begin in the spring or summer of 1969.

It is the government's intention to pay due regard throughout this complex process to the rights and wishes of employees, both individually and collectively, and to consider representations from any legitimately interested source. In particular, it is intended that trade unions and 'professional associations with significant membership in the public service shall be kept informed and given the opportunity to state their views.

Initially, the Personnel Policy Division is being manned entirely by transfer and secondment of existing Civil Service staff, No recruitment of new staff will take place until the work load makes this essential.

Revenue Changes

I come now, Mr. Speaker, to that part of the budget which guarantees the universal and unending unpopularity of finance ministers, I refer, of course, to tax changes.

I have already outlined how we have contained our overall spending and have acted on our priorities largely by slowing the growth of existing programs, I have described our policies of restraint in borrowing. The element required to complete this package of responsible fiscal management is increased taxation.

We were highly selective in our expenditure choices, Mr. Speaker, and we intend to be equally selective in our tax decisions. We intend to propose those changes which will have the least impact on the ordinary citizen.

A simple means of avoiding part of this problem would be to have passed on the problem to the municipalities. We deliberately avoided this because increases in local property taxation would affect most citizens and because the increases would not faU equally across the Province. Through increasing grants to municipalities by $1.3 million we have prevented a major increase in local property taxes.

It is our intention to propose three major sources of new revenue. First, we propose to broaden the base of the social services and education tax to include hotel and motel accommodation. Experience in Manitoba and Quebec indicates that such a tax has virtually no effect on tourist revenues, We expect this measure to raise an additional $540.000 during 1968-09.

Second, we propose to include long distance telephone calls. telegrams and other forms of telecommunications in the base of the social services and education tax. This measure is expected to yield in excess of $700,000 annually.

To obtain Our third source of new revenue, legislation will be introduced to raise the tax on gasoline by one cent per gallon. This will raise the gasoline tax to 19¢ per gallon, equal to our sister province of Nova Scotia. This change will yield increased revenues of $1,230,000.

Certain other changes are planned in our collection practices, Mr. ,Speaker, which will increase our revenues without increasing taxes, The most important of these is a proposal to lower the rate of commission paid to collectors of the sales tax, When the sales tax was doubled last year, the rate of commission paid to collectors was unchanged, This had the effect of doubling the amount of commission paid, although the work of vendors did not increase. By reducing the vendors' commission from 3 % to 2%, our returns from the sales tax can ,be increased 'by $360,000.

Some adjustment is also required' in our contributions to the Unsatisfied Judgment Fund. The increasing number of claims 'being made on the fund will soon result in its depletion. At the present time, $2 out of the $6 paid for an operator's' license every two years goes to the Unsatisfied Judgment Fund. It is proposed that an extra $2 per year will be collected for the purposes of that fund.

As a final revenue measure, Mr.

Speaker, changes are proposed' in the payment provisions of the real :property and business assessment tax. The 5% discount currently allowed for early payment is to be discontinued. This discount was introduced, as a temporary measure to facilitate the change from a municipal to a provincial levy. The transition period is now over, and we feel the discount can be removed. This does not, of course, affect local tax receipts, since payment of the full municipal warrant is guaranteed to municipalities whether the province collects it or not. Removal of the discount is expected to increase revenues by at least $1 million.

No change is contemplated in the generous prepayment feature now available under the Property Tax Act. Few property owners have taken advantage of this provision, and we must conclude that its existence is not well known. Under this provision, we pay 6 % per annum on amounts paid toward property taxes before billing date.

A further change in collection arrangements of property tax is also proposed, At present, penalties for nonpayment are not applied until the end of the calendar year. In the light of common practice elsewhere, we plan to apply the penalty on a monthly rate, beginning 60 days after receipt of tax bills.

While the number of tax changes I have outlined' may seem rather long, Mr. Speaker, I would emphasize that they are not heavy burdens and are not likely to impose a serious outlay for most people. The overall yield of the changes I have proposed is expected to ,be about $4 million during 1968-69 - an increase of less than 1-1/2 % of our total revenues.

Conclusion

Mr. Speaker, the budget which I have laid before you today contains total ordinary and capital expenditure plans of $322,047,299. Total revenues and recoveries are expected' to reach $308,953,629. The $13 million difference represents the cash which must be raised by borrowing to meet capital expenditures of over $56 million.

The overall effect of the budget will be to increase our net debt by $9,895,670, An objective analysis of the growth of our expenditures clearly indicates that the proposed increase in net debt is exceedingly small in relation to past years. It represents an amount which could be liquidated by those revenues of the province which would normally accumulate in less than a two-week period.

This is a sound budget, Mr. Speaker. It provides for growth; .it provides for people. It recognizes the financial realities of the province and the nation. It gives positive effect to the priorities we have chosen.

Any student of history would agree that the right course .is seldom the easiest course. By containing overall expenditure, by rigidly controlling the growth of the Civil Service, by levying new taxes, we have obviously not chosen the easiest course. We are sure, however, that we have chosen the right course, the responsible course, the course that will keep New Brunswick moving towards a better day for all its people.

In the speech to which I referred earlier, the Governor of the Bank of Canada used a sentence which seems to me to express the spirit of this budget, He said: "If we combine initiative and vigor with forbearance where it is necessary, we shall move steadily ahead."

In this budget we have again demonstrated our initiative and vigor. In this budget, we 'have also shown "forbearance where it is necessary". And, Mr. Speaker, I am confident that "we shall move steadily ahead.