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Mr. Speaker:

Once again it is my honor and privilege to rise in this assembly to present the motion of supply, This marks the tenth time on which I have been so honored, and on each successive occasion I have become increasingly aware of the growing complexity of budget preparation and fiscal planning. It is a phenomenon which I know faces each of my provincial counterparts and the federal Minister of Finance.

Preparing a budget is a strenuous exercise. It demands from the Minister of Finance and each member of the government a critical examination of the various programs and activities for which they are responsible, and an appraisal of progress made during the year. As the task increases in magnitude and complexity each succeeding year, the choices open to the government-within the bounds of its financial resources-become more difficult to make. Yet the great benefit of this exercise is the administrative discipline which it imposes on the cabinet, the individual ministers and their departments. It is a time for review, of looking ahead, and planning.

The final result of this key exercise in the government process is the budget which, when approved, provides the guidelines and framework for financial and administrative operation and control in the corning year, and by its very nature also provides a future basis for measuring the effectiveness of the year's activities.

REVIEW OF FISCAL 1968-69

Economic Situation:

Last week, Mr. Speaker, as is customary before presentation of the budget, the annual report on the New Brunswick economy was tabled in the House. Since it sets out the details of developments in the provincial economy during 1968, my remarks today on this subject will be brief, but there are some points I would like to stress.

Throughout North America in 1968 there was a slowing down in the growth rate from previous years. This, of course, affected the performance of the New Brunswick economy. As had been expected, 1968 turned out to be a year of moderate increases for our province. It was a year of "stock-taking" for most sectors of the economy, characterized primarily by average gains. The best overall performance was in the primary sector-wood products, mining and fishing-although fairly good increases were experienced by utilities, residential construction and the service industries. Manufacturing was up slightly, but there was an overall decrease in capital investment.

Growth in the total value of goods and services produced in New Brunswick amounted to 7-1/4 per cent, half of which was real or actual gain and the other half due to price increases. The Gross Provincial Product reached $ 1,370,000,000 in 1968, an increase of $92 million from the previous year.

Indications for 1969 are that it will be a somewhat better year than 1968.

Real or actual growth in the value of production will be in the range of four to five per cent, with price increases bringing total growth to between seven and eight per cent. Growth will be more balanced as well, especially in such essential sectors as investment, manufacturing and urban development. New capital investment in New Brunswick is predicted to increase by 15 per cent in 1969. This is double the national rate which has been forecast for the same period.

For three or four years now the country has become increasingly concerned with inflation. When consumer prices began rising rapidly in mid-1965, there were indications that the rise would be short-lived. However, price increases shifted first from food products to service industries and then to construction projects and so on throughout the economy. Higher prices and labour shortages led to higher wages. Prices then went up again, but so did interest rates and housing costs. At the same time, the bond market deteriorated. During the past two years some of the inflationary pressures have, no doubt, been increased by what we might term "inflationary psychology". With rising prices, higher wages and increasing interest rates becoming commonplace throughout North America. people expect prices, wages and interest to continue to rise. Their actions are determined by their expectations and so add fuel to the inflationary fire.

One of the most inequitable features of inflation is that it affects those who do not cause it. Pensioners and people living on fixed incomes are particularly hard hit, as also are some geographical areas. While the Atlantic Provinces, for example, produce few of the wage demands or labour and product shortages which contribute to inflation, the effects of inflation are felt here in a serious way. And conversely, whenever the federal government brakes the economy to slow price increases, there is a slowdown in every region, whether it is required in each region or not. The Atlantic region does not contribute in any large way to the inflationary pressures, yet we feel the full weight of the preventive measures applied at the national level For years the leaders from the Atlantic Provinces have sought to have national monetary and fiscal policies applied with some concern for regional differences, but with little success. The same national approach to inflation is being taken again this year as Ottawa attempts to restrain demand. This continued unselective approach to regional economic differences can only have a dampening effect on the economy of the Atlantic region.

Capital Financing:

The atmosphere in both the Canadian and United States capital markets throughout the current fiscal year has generally been one of mild gloom interspersed with periods of halfhearted enthusiasm.

The interest rate structure in both markets has been under severe-pressure, and so rates at the present time are appreciably higher than they were a year ago. For instance, the bond yield average of a major Canadian investment firm shows an increase in provincial bond yields in the Canadian market from 7.27 per cent in January 1968 to 7.92 per cent in January 1969.

The decline in the United States market is indicated by the difference in yields of two Province of Nova Scotia issues offered in that market - a 7.10 per cent yield in January 1968, against a 7.67 per cent yield in February 1969.

In periods of fluctuating market conditions such as we have experienced in the past year, the timing of a new issue, even to the extent of a few hours, can have considerable bearing on the price received. In retrospect, the timing of our new issues during the past year was extremely good. We would like to think that it can be attributed to a superhuman ability on our part to foresee market changes, but must confess that we received expert advice on the matter from those investment dealers who act as our fiscal agents.

The province sold three issues on the public market during the current year-one of $8 million 7-3/4 per cent bonds in the Canadian market in May; one of $20 million 7 per cent New Brunswick Higher Education Commission bonds in the United States market in April, and a further issue of $20 million 6-7/8 pel cent provincial bonds in the United States market in September. In addition, a total of $21,767,000 of provincial bonds were issued to the Canada Pension Plan Investment Fund. Our average borrowing cost in Canada was 7.09 per cent and in the United States 7.20 per cent.

The province has continued to rely for its day-to-day cash needs on the chartered banks where we obtain the prime rate on our borrowings. This rate has tended, on average over the past year, to run somewhat below the rates in the treasury bill market. Consequently, we have restricted our activity in the issuing of treasury bills.

As part of our continuing public relations program, officials of the Department of Finance called on insurance companies, banks, trust companies and investment counsellors in Montreal and Toronto. This made it possible to meet and talk with the senior executives and investment officers of these institutions. The opinions they expressed about investing in New Brunswick securities were favorable, and we are confident that institutional buyers will continue to direct an equitable share of whatever funds they have available for investment in new provincial bond issues. At the same time, it was pointed out by these institutions that the federal and provincial governments must exercise financial and economic restraint if they expected the bond markets to continue to supply capital at reasonable rates of interest.

Collective Bargaining:

Now, Mr. Speaker, I would like to give a brief report on our progress toward collective bargaining. At the beginning of this fiscal year the Personnel Policy Division of Treasury Board was established to prepare for the introduction of collective bargaining in the public service.

The functions of the division were to assist in preparation of the necessary legislation, to classify all public service employees and, in due course, to negotiate with employee organizations on behalf of the government.

The classification work is well advanced, and the existing Civil Service classification system is undergoing modification. A system has been developed and much programming completed towards putting all public service personnel records on computer. This will provide the necessary background material for negotiations and will permit more efficient establishment control.

The Public Service Labour Relations Act has received wide acclaim as enlightened and progressive legislation. A bilingual summary of those aspects of the Act affecting the individual employee has been distributed to all public service personnel.

The process of establishing bargaining units is now under way in consultation with appropriate employee and management interests. On proclamation of the Act these units will be submitted to the newly established Public Service Labour Relations Board for approval.

Financial Results for 1968-69:

Mr. Speaker, the final figures for the current year will not be available until the end of June. However, I can indicate today in a general way the probable year-end results.

You will recall that last year at this time J presented a planned expenditure program of $322 million and projected revenues of $309 million. Our latest estimates indicate that provincial revenues from all sources will exceed my original forecast by some $8 million with final receipts of $317 million.

On the expenditure accounts there have been three important departures from our original spending program. The first and most important item is one which I mentioned last August and then dealt with in some detail at the fall sitting of the Legislature. As I explained at that time, it is now the government's intention and practice to account for the Higher Education Commission's $20 million bond issue and capital grant program for the fiscal years 1968 and 1969 during those years.

In the accounts for 1968 we allowed for $7.5 million and in 1969, the current year, we will provide for the balance, some $12 million.

That amount-$12 million-as 1 had explained earlier, was not budgeted for this year. It was our original intention to treat on a long-term basis what was then thought to be only a periodic capital need by the universities. We had intended to do this by accounting for the grants over the life of the bond issue, as we would with any major capital expense. However, We now appear to be faced with a continuing high demand for university capital facilities, and so we shall treat the sums provided for this purpose on a current basis.

The other areas of increased expenditure were the operation of public schools, where an additional $4.5 million was required during the year, and in the Department of Health and Welfare, where an extra $5 million was authorized for hospital services and social welfare purposes. Generally speaking, all other expenditure areas performed according to our estimates for the current year.

Despite the additional expenses for vital social services, it appears at this time that the province will be able to cover its current expenditures and still provide for the payment of sinking fund instalments from its current revenue sources. In other words, our provincial economy is funy capable of generating the necessary revenues to meet our current obligations.

Mr. Speaker, We are continuing to pay our way and maintain our credit standing.

Before I present the government's plans for the next fiscal year, I would like to review the subject of federal-provincial relations.

Federal-Provincial Relations:

During the past year, and in the last few months especially, we have all been very much aware of the subject of federal-provincial relations. Political leaders across the nation have immersed themselves in the very exciting, intricate and demanding job of constitutional review. This is a very complex matter, and two of the most prominent aspects are the financial and economic issues.

The province of New Brunswick has taken the stand that a strong federal government is vital to Canada's continued existence as a nation. New Brunswick believes that the central government must be capable of controlling-the national economy, redistributing income among the provinces and guaranteeing to each province the availability of resources needed to develop the provinces' social programs at acceptable national standards. The constitutional review and its various elements will, no doubt, take some time to complete. It will not produce quick and easy solutions.

I would therefore like to review New Brunswick's position in the areas involving the Ministers of Finance and Provincial Treasurers, for their deliberations were concerned with the more immediate economic and financial issues facing the nation and, as such, have an immediate and direct effect on each one of us.

At our meetings in November and December, discussion centered on the rising costs of various government services, and the ability of the federal and provincial governments to finance them. In the general area of social services-education, health and welfare-the responsibility is primarily provincial, with varying degrees of financial assistance from federal sources. In these areas costs are rising, as both need and demand increase at very rapid rates. There are other areas, such as housing, pollution control and urban development, where a greater input of resources is also desirable and necessary.

The traditional revenue sources available to the provinces have not shown, nor do they possess, the same growth potential as the demands for increased expenditure. Consumer taxes, provincial licenses and permits and revenues from liquor sales have lagged behind the spiraling increases in the costs of social services. The traditional sources of provincial revenue have, in other words, a low growth capacity. It is now apparent that they are ill-suited to meet the rising social costs for which the provinces are responsible.

At our meetings in November and December, and again at the Constitutional Conference in February, it became very apparent that the provinces are now feeling the full effects of the inequitable distribution of taxation capacity between the federal and provincial governments in relation to their expenditure

responsibilities.

I would like to point out, Mr. Speaker, that this problem is not unique to Canada and its provinces. At this very time in the United States a great many state governments are dealing with exactly the same problem. They, too, are faced with rapidly rising costs in the education, health and welfare areas and they, like us, have only restricted revenue sources to rely on. Washington, like Ottawa, has at its disposal the most rapidly growing revenue sources. Perhaps we in Canada can take some comfort in the fact that the demands on our financial resources have not forced portions of our school systems to close for lack of funds, as has been the case recently within several states in the United States.

At our meetings in Ottawa this past fall, the provinces presented strong and valid arguments for an immediate revision of the federal-provincial tax sharing arrangements. However, the federal government consistently refused to consider these changes for the time being.

Ottawa's response has been that each province must establish its own spending priorities and taxation policies within the existing federal-provincial arrangements. I regret to say, Mr. Speaker, that in our opinion the federal government, by its own subsequent actions, has made it exceedingly difficuJt for the provinces to follow that advice. The most glaring example of this federal inconsistency has been the imposition of the social development tax.

By applying this tax on each individual's taxable income, the provinces were excluded from sharing in this revenue source by the terms of the federal-provincial tax collection agreements. As a result, almost $8 million in additional personal income tax will be paid in 1969 by New Brunswick residents into the federal treasury. This federal initiative in the personal income tax field has made it extremely difficult for the provinces to consider their own revenue raising alternatives, as Ottawa has been inviting them to do. It indicates a lack of willingness to date to cooperate in the major jointly-shared tax field.

Not only are we excluded from sharing this tax revenue, but the method of raising this tax is extremely regressive, to regions as wen as to individuals. For example, Quebec and the Maritimes will pay a larger percentage of the social development tax than they would under an increase in the regular income tax rates. The new federal tax has a limit of $120, which means it will not apply to taxable income over $6,000. Expressed another way, the tax reaches its maximum at about the $10,000 gross income level In New Brunswick about 96.5 per cent of all taxable income returns in 1966 reported less than SIO,OOO gross income. For the nation as a whole the comparable figure was 93.8 per cent.

As a result, whereas New Brunswick residents pay 1.47 per cent of the personal income tax levied by the federal government, we will pay about 1.65 per cent of the total social developrnent tax collected.

New Brunswick will therefore provide a larger share of the national receipts from this new tax than we normally provide under the existing, and more progressive, income tax rates.

The expenditure plans of the federal government for the new fiscal year have compounded even further the inequalities placed on this region of the country by the new tax bill .

The economic situation in each of the provinces has been made less attractive with the recent announcements of federal spending cuts in the field of shared cost programs. We can appreciate Ottawa's concern and desire to reduce inflationary pressures and to ease its demands on the capital markets, But, Mr. Speaker. the federal actions take no account of the country's regional, economic and fmancial differences.

The federal budget for 1969-70 is designed to reduce inflation and to -deal with this problem in national terms. Once again, all regions are being forced to accept the federal cure for the nation's economic ills, whether the regions themselves need the cure or not.

It is entirely possible that the Atlantic region could be subjected to what we might call "fiscal over-kill". The federal budget could cause an overreaction in our region by imposing certain fiscal restraints on the national economy. Federal spending reductions are now in effect in the areas of ARDA programs, the FRED agreements, highway construction grants, and aid to fishing vessels. These are primary resource areas, where much of our economic activity takes place.

These reductions will be felt very severely in the Atlantic region and other low-income provinces, despite the fact that these regions have caused few, if any, of the inflationary pressures which have generated price increases in Canada during the past few years. The Atlantic economy is one which requires continued inputs of federal resources, not reductions; it requires a halt to the one-way flow of new tax revenues from this region to the federal treasury.

It would appear, Mr. Speaker, the federal government is so concerned with the national situation that it is increasing the problems faced by the provinces, making these problems much more difficult to solve.

We hope this situation will be corrected very shortly by swift and substantial assistance for the Atlantic Provinces from the Department of Regional Economic Expansion. Unless this new department is authorized to move quickly, with a minimum of red tape and with a high degree of independence and flexibility, we will be forced to view the future with some concern.

At the conference of Finance Ministers in November, J pointed out that Ottawa's present attitude could well lead to the end of our well-Ordered tax abatement system. If the provinces are forced to seek new revenue sources in place of federal assistance, the end result could well be a confusing tax jungle. This we most certainly do not want, and we need not have.

It was suggested by New Brunswick that a review be undertaken to identify what are truly national Priorities, and to determine Where the responsibility for those priorities lies. The next step would then be to allocate sufficient tax resources to meet the needs of those responsibilities.

It is our opinion that some provincial priorities, such as education, should be reCOgnized as national priorities, and the current fiscal structure of the country altered to channel more funds into these areas.

On the other hand, SOme federal responsibilities may not be national priorities merely because they happen to be federal responsibilities. These federal responsibilities might well get along with a smaller share of the nation's fiscal resources than they now utilize.

As you are aware, our last meeting ended with agreement to revive the Tax Structure Committee and to give them the urgent task of reviewing the whole matter of taxation reform, including the reconciliation of priorities in public spending, iotnt and exclusive occupancy of tax fields. and the projection of revenue and expenditure trends for all levels of government.

We welcome the re-establishment of the Tax Structure Committee and the federal government's willingness to participate. In the meantime, however, the provinces have been left to work out their financial requirements and program priorities as best they can. It will not be an easy task for any of us. We cannot rely on the present federal-provincial arrangements for another year or two while we wait for the committee's work to be completed and its findings implemented. Additional fiscal resources are required by the provinces now -While the tax structure study is under way.

Mr. Speaker, I now wish to outline the government's plans for the new fiscal year.

PLANS FOR 1969-70

Budget Policy:

Given the present conditions of federal restraint in spending, no additional transfer of financial resources from Ottawa to the provinces, rising price levels and increasing demands for services, the preparation of plans for 1969-70 was a very arduous and demanding task. Under these conditions the budget has been fofmulated on the condition that social services-education, health and welfare-must be provided for at a level to ensure continued improvement to raise our standards in these areas to national levels.

To provide for these services, we have exercised a rigorous review of spending priorities in order to restrain growth in what we consider to be less essential areas of government activity. Out of a total of 22 spending departments and offices, 10 have a reduction in funds for the new year and four are being allowed only small increments brought about by increases in prices and other costs.

This was not an easy task. The room for budget flexibility is small, as 65 per cent of our spending in the new year is statutory, or virtually so, Only 35 per cent is for directly controllable operational expenses.

Within these constraints, Treasury Board directed what must have been a painful exercise for some departments, but this was necessary in order to plan within our means, to reduce our demands on the capital markets and indicate our willingness to assist in solving the problems of national inflation. Although the Atlantic region does not play an important role in causing inflation, we are willing to work for national improvement,

In order to channel our resources into social service areas, we have subjected departmental budget requests to severe and critical examination. Many new positions and programs have been deferred, certain capital spending restrained and loan funds reduced. The net effect of our budget reviews has resulted in spending estimates of $376,126,847. This is a 5.9 per cent increase over our revised spending estimate for the current year.

I think it is indicative of the work performed by the Treasury Board that our expenditure increase is lower than any provincial budget yet announced for the fiscal year 1970, and significantly lower than the federal government's announced spending increase of 9.5 per cent.

Despite our apparent success in meeting demands to restrain government spending, I would be less than candid, however, if I did not try to share with you some of the real concern felt by members of this government during the deliberations which led to the formation of the budget.

I think it is true to say that any individual, no matter what his means-or any province, for that matter-invariably has many aspirations which tend to be greater than his ability to provide for them all. Because New Brunswick is not a wealthy province, we have had to restrain our aspirations in some areas. Programs which are not what the government considers to be of immediate importance have been held in check, in order to release available funds for those services which are required now.

This we have done, but unfortunately, the programs that we are able to hold back are not the most costly ones; they are not the ones where sharply increasing prices and rising demand are occurring with ceaseless regularity; they are not, in short, the programs that require the lion's share of our financial resources. These programs are health, welfare and education-areas of public service recognized by all of us as contributing very fundamentally to the well-being of all New Brunswickers.

In this, at least, we share something with all provinces, wealthy or not. Both the cost and demand for these services are increasing across Canada; all provinces are having difficulty financing them.

Social Services:

Health and Welfare costs have been rising between 15 and 18 per cent a year on a national average. For the country as a whole, education costs will rise by 10 per cent next year. Many of these increases are extremely difficult to control The only way of substantially reducing them would be to make drastic cutbacks in services, depriving people of the basic services necessary to assure a dignified and useful existence. On the other hand, some of the cost increases are controllable, and these we are constantly dealing with in an effort to improve efficiency and cost effectiveness.

The construction of additional hospital facilities, for example, will be deferred for a year and a thorough study made in order to develop a rational and up-to-date long-term hospital building plan which will more efficiently serve the province. In the meantime, this should not result in a reduction of services, since New Brunswick already has one of the lowest per capita to hospital bed ratios in Canada. In other words, we have more hospital beds per resident than many other provinces.

The Department of Health and Welfare will also take steps to improve the efficiency and quality of all aspects of mental health care. This follows recommendations made during the current year for widespread changes in the Structure of our mental health services.

In spite of these moves, however, spending for health and welfare will still reach more than $88 million next year-about 6.1 per cent above the revised estimate for the current year. This is substantially below the national average increase for health and welfare services, but still represents almost one-quarter of the entire spending program of the province.

As I indicated a few moments ago, education is another area where cost increases have severely strained the resources of provinces far more affluent than New Brunswick. If· we are ever to close the gap between ourselves and the rest of Canada, a sound educational program is a vital necessity. Yet education is one of the costliest services for the government to finance.

More than $86 million is allocated next year for public schools, trade and technical institutes and teacher training-slightly more than 19 per cent above the actual spending for the current year. Almost two-thirds of the $ 14-million increase is for 10caJ school board administration-teachers' salaries, curriculum changes, transportation facilities and the wages of non-teaching personnel.

Trade schools in Campbellton and Grand Falls will be ready for use in the next school year and the expanded New Brunswick Institute of Technology will be in full operation.

In school building almost S 16 million will be spent to continue construction of modern elementary schools and junior and senior high school complexes throughout the province.

We realize that education, like health and welfare, has a high priority. We recognize that to provide even a minimum but acceptable standard of educational service is very costly. The government is therefore concerned that every education dollar be spent as effectively as possible. To this end, the Treasury Board intends to intensify its detailed study of education budgeting and program development policies at all levels to assure that the best use is made of provincial funds.

Mr. Speaker, we also intend to expand the opportunities which our young people have for higher education. In this regard, we have given careful study to the thorough and independent assessment of university needs which was published recently by the Higher Education Commission.

The commission has made specific proposals concerning the level of support which universities should receive for the next three years. We have accepted the commission's recommendations and are providing in this budget the amounts required in the coming fiscal year to implement the recommended levels of operating and capital grants for our universities and colleges. This will make it possible for institutions to plan their activities with much greater certainty and precision.

I must stress the very rapid growth which has occurred in our grants to universities. In 1961-62, the total was only $2.5 million. Ten years later, in 197 ]-72, we can expect to be spending at least $30 million annually on just this. one item. In the new fiscal year we will be providing almost $23 million. I think it is abundantly clear that the province's universities have received fair, even favorable treatment over this period.

In turn, we must expect the universities to act responsibly, and to make effective use of the very great resources which the people of this province are placing at their disposal.

If I may refer directly to the Higher Education Commission's report, it states that institutions will, and I quote:

" ... be expected to work out their budgets within the boundaries of the grants now being Proposed ... Those institutions which solve their particular problems efficiently and economically will have that many more resources to spend on other things. Those who are less skillful or less imaginative should be expected to live with the consequences."

Mr. Speaker, it has been our policy to provide sufficient funds for university development consistent with our resources and based on objective study and analysis. Beyond that point we will not go. The universities and colleges must live within their means. There will be no supplementary grants or back-door assistance. Such moves would destroy the fair and rational system which forms the basis of our support for universities and colleges.

As a result of the commission's report, we are providing for a basic change in our approach to financial assistance for students at the post-secondary level. The goal is to give every talented young person the chance to attend university, college or technical school according to his interests and capabilities. As the commission states in its report:

" ... it is important to distinguish between simply making it easier to go to university 'and making it possible for those who could not otherwise attend. No matter how desirable the former, the more urgent task is to knock down those fmancial barriers which keep out those who are capable, qualified and interested in university and college studies."

To accomplish this, we are removing the present limits on the amount which a needy student can obtain to meet his education costs, The report's recommendations regarding student aid will be implemented and funds will be made available for that purpose. This makes it essential to restrict grants and loans to those students who genuinely need help to continue their studies. For this reason, we shall no longer be awarding the prize of $200 which has been paid automatically to students entering college with top standing on departmental examinations. These funds will now be used to assist those students with the greatest financial problems. In future, financial support will be placed on the same basis for all students, and will be tailored to their financial circumstances.

Taken together, health, welfare and education will account next year for about $200 million, or more than 53 per cent of the entire budget estimate. If university education is included, the figure rises to about $223 million, or 59 per cent of the total estimate.

This is a colossal spending program in a province with limited means, at a time when the economy is only slightly buoyant and in a year of federal cutbacks in shared-cost programs. But is it our opinion, Mr. Speaker, that these sound social programs are essential and must be proceeded with if New Brunswick is to continue the impressive development it has experienced since the beginning of this decade.

Economic Development:

The government considers it equally important to continue its support of the solid advances already made in fIShing, mining, forest, agricultural and industrial development programs. In this way, we shall increase our output and productivity and become more self-sufficient.

To assist this type of development, the government will provide more than $22 million in the next year for general resource development. It is our contention that these funds will be effectively used and bring substantial benefits to the residents of this province. This is in addition to the amounts which will be made available as loans to the Fishermen's Loan Board, the Farm Adjustment Board and the New Brunswick Development Corporation.

Part of the government's continuing interest in provincial development centres on the struggling coal industry, where substantial progress has already been made to phase out inefficient and outdated operations.

Total expenditure in the Minto area for assistance to coal operators and the reconciliation of displaced miners in a new industrial development program will amount to more than $2.5 million next year.

Development of the Kent County National Park will begin in 1969-70 with land purchases and the beginning of counselling and rehabilitation services for families who will be affected by the establishment of the park. The federal government is expected to assist the province during the three-year program. Provincial expenditure next year will amount to $450,000.

Since 1960, the province has witnessed one of the most impressive and effective highway building programs in New Brunswick's history. Next year the Trans-Canada H.ighway will be finished. Highway construction on Route I from Bocabec to Waweig will serve this important tourist connection from the Maine border to Saint John.

These highway projects, plus others, will require an estimated $20 million in the next fiscal year. This investment in our highway system will generate jobs and income for hundreds of our citizens.

Other Services:

The provision of housing throughout New Brunswick is a vital concern of the government. Provincial initiatives in the next fiscal year will generate expenditures of more than $16 million. The budget for the new fiscal year will provide $2.6 million for the New Brunswick Housing Corporation, more than three times the amount spent in the current fiscal year.

The condition of our rivers and streams is also a matter of vital concern and programs are in operation to stop the pollution of this important natural resource.

Our antipollution programs are designed to both clean up and prevent the pollution of our inland waterways so that they may be safely used for recreation and consumption. Industrial and municipal pollution abatement programs will receive more than $15 million in provincial funds in the new year.

Since the introduction of the program for equal opportunity, progress has been made in improving the efficiency and quality of our legal system. Such improvements will continue. One area where further study and work is required is the provision of a legal aid system designed to provide any citizen, no matter what his economic status, with fair and equal access to our courts. As an interim measure, the government has allocated funds in the coming year for broadening the provisions of the Poor Prisoners' Defence Act.

The building of an effective gaol system and the development of adequate and fair legal aid provisions are not decisions that can be taken in haste, and it is for these reasons that no firm commitments will be made until we are quite sure of the proper course. In the meantime, strengthening the Poor Prisoners' Defence Act will ensure that prisoners most in need of legal counsel will be provided with adequate representation in our courts.

Provision is also made in our spending program to provide a general pay increase for members of the Civil Service, effective April 1.

It has now been two years since the last general revision. The rise in the cost of living during that time, together with increased duties and responsibilities, make such an adjustment both deserved and necessary.

One of the innovations of which this government is most proud is the municipal grant system introduced as part of the program for equal opportunity. It has provided a means whereby municipalities can adequately meet the growing responsibilities placed upon them by their residents. The government will be paying more than $13.5 million next year in flat rate and equalization grants to our cities, towns and villages.

Mr. Speaker, that completes my review of our spending program for the new fiscal year. It is a responsible program, one which acknowledges the need to restrict our demands on the nation s supply of capital, labour and other factors of production. We have formulated spending plans of S376.1 million. This represents an increase of only 5.9 per cent over the current year's expenditures. Our spending plans for the new year will make a significant contribution toward a nation-wide policy of spending restraint which many responsible voices across the country have called for. Let me remind you again, Mr. Speaker, that in this regard we have been more successful than both the federal government and those provinces which have, up to this time, brought down their budgets for the new year.

Provincial Revenues:

Now, Mr. Speaker, we come to that part of the day's proceedings which inevitably arouses the most interest and speculation. I refer, of course, to the government's proposals for financing its operations in the new year.

For the fiscal year 1969-70, I have budgeted for expenditures of $325 million on current account, and on capital account for an Investment of $1.1 million in new schools, highways, hospitals, Crown lands and university buildings.

I wish to remind the hon, members of this assembly that our provincial budget makes full provision for the total cost of services, such as education, public health, welfare, property assessment and the administration of justice, which were formerly municipal responsibilities. Local governments in New Brunswick have been relieved of a tremendous administrative and financial burden, which now permits them to concentrate their resources and energies on matters of purely local concern. It is encouraging to note that other provinces are now moving in the same direction of consolidating and improving these services on a regional and provincial basis, a direction in which New Brunswick pioneered the way.

To meet the cost of these and other government services, revenues from our existing tax and other sources will provide $336.2 million. As you can see, the result, if left at this point, would be an overall budget deficit of $39.2 million, despite the severe restrictions imposed on provincial spending for the new year. I think this illustrates most forcefully the way in which the existing provincial revenue sources are lagging behind the increases in those social and economic services which are provincial responsibilities.

We do not wish to present such a deficit to the Legislature. Having restricted our spending and having attempted to secure greater fiscal resources from the federal government, we have no alternative but to introduce significant tax changes in the new fiscal year.

Mr. Speaker, those changes and their estimated yields for the new fiscal year are as follows:

Effective April I, the social service and education tax will be raised from six per cent to eight per cent.

This will yield $12,300,000.

Effective April l, the small sales exemption under the Social Service and Education Tax Act will be lowered from 14 cents to 11 cents. This will yield an additional $500,000 in revenue.

Effective April I, the provincial sales tax will be applied to dry-cleaning and laundry services.

Effective April 1, the gasoline tax will be increased by one cent per gallon. This will yield an additional S 1,250,000.

Effective April I, the tax on cigarettes will be raised from one-fifth to two-fifths of one cent each. This will add four cents to the current price of 20 cigarettes. The present tax of two cents per ounce on flne cut, plug and pipe tobacco will be raised to four cents per ounce. The tax on cigars will be applied at a rate of one cent for each five cents of price or fraction thereof.

These changes will yield an estimated $2,350,000.

Effective April 1, the commission paid to wholesale tobacco dealers for collecting tobacco tax will be reduced from 10 per cent to two per cent. This will result in a saving of $200,000.

Effective April I, the New Brunswick Liquor Control Commission will introduce an across-the-board increase of 10 per cent to the sale price of beer, wine and spirits. This will yield an estimated $4,300,000,

The province will impose a 10 per cent surtax on personal income taxes.

Hon. Mr. DesBRISAY: For the 1969 calendar year the surtax will be applied at three-quarters of this rate, which will mean, in effect, that the surtax will relate to the period from April 1 to December 31. Actual collections by means of payroll deductions will begin in July. For the period beginning January I, 1970, the full 10 per cent surtax rate will apply. For the new flscal year, this will yield an estimated $8,000,000.

Mr. Speaker, these tax changes, which total $29.4 million, were not undertaken lightly.

Mr. Speaker, these tax changes are necessary, however, if we are to finance, maintain and continue to improve the educational, social and development programs which our people are using daily and for which improvements are constantly being requested.

Mr. Speaker, I should mention that we have refrained from making any changes in the corporation income tax in order to maintain our competitive position for new and expanded industrial undertakings.

Hon. Mr. DesBRISA Y: The list of tax changes presents, in a very dramatic and convincing way, the situation presently facing New Brunswick and many of the other Canadian provinces. We have only to look to our sister province of Nova Scotia, which is presently contemplating a $42-million deficit or increased taxation, to confirm this point.

The provinces have the primary responsibility for extremely costly and rapidly expanding programs, but they must finance them from an inadequate and irrational division of tax resources between themselves and the federal government. This leaves the provinces with insufficient tax resources to meet their responsibilities.

The time has come for a program of tax reform to be undertaken without delay. It must lead to a swift and agreed division of tax resources and program responsibilities between the two senior levels of government which will enable them to meet the needs of their respective jurisdictions and. at the same time, provide the taxpayer with a fair and progressive taxation system.

Without such reform, we shall continue to build up across this country ad hoc systems of taxation measures which could very shortly impose on the taxpayers demands for tax revenues beyond their means.

CONCLUSION

Mr. Speaker, the tax changes in this financial program for 1969-70, together with our existing revenues, will provide total current revenues of $353,612,488.

Our current expenditures will amount to $325,050,847. The surplus of $28,561,641 on ordinary or current account will provide the funds to meet our sinking fund instalments of $ 14. 9 millionwith the balance of $13.6 million being applied to cover a portion of our capital investment expenditures. These tax changes enable us to meet all current obligations and debt retirement charges entirely from current revenue sources. We are continuing to pay our way, despite rapidly rising costs.

On capital account, our investment expenditures are set at $51,076,000, with estimated recoveries of $12,347,025. Our net capital spending will be $38,728,975.

The surplus of $28.6 million on ordinary account and the net capital account spending, $38.7 million, result in an overall deficit of S10.l million. When we take into account the addition to our provincial assets of 53,250,000 of sinking fund earnings in the new year, the increase in net debt, as a result of this budget, comes to $6.9 million.

Mr. Speaker, this budget provides for an objective program of priority spending within a framework of restraint. We have imposed tax changes, but, in SO doing, we shall play a positive role in the attempts being made across the country to quell the forces of inflation, forces which have contributed significantly to the increased costs with which all governments are faced today.

Motion of Supply