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| ***Province*** | ***Législature*** | ***Session*** | ***Type de discours*** | ***Date du discours*** | ***Locuteur*** | ***Fonction du locuteur*** | ***Parti politique*** |
| Ontario | 26e | 3e | Discours du budget | 1 mars 1962 | James N. Allan | Treasurer of Ontario | Progressive Conservative Party of Ontario |

Mr. Speaker,

This is the fourth year I have had the privilege of presenting our fiscal program to the Legislature. As in the past, each year presents its demands for new undertakings and expenditures. The fiscal and economic plan upon which we have been engaged is, of course, not the product of a day or even of a month. It is a continuing process of planning and managing our services and finances in a manner that will promote the sound economic growth of our Province.

Ours has not been an easy task. We have had to deal not only with the compelling needs for those services for which we are directly responsible, but also for those of our municipalities which are confronted with the same problems of growth and expansion that beset the Province. I shall refer more fully to this assistance to the municipalities and the school boards later in my remarks. At this point, I would simply call the attention of the House to the fact that this Budget provides for the transfer to our municipalities and local agencies of $425 million, which is 45 per cent of our current revenues and equal to the Province's total budget for all purposes just nine years ago.

This may seem incredible, but it is true. It means that in the 1962-63 fiscal year we will be transferring to the municipalities more than 2 1/2 times the amount of our estimated revenues from the new retail sales tax. The increase in this transfer to the municipalities and local agencies alone, and excluding the Province's $29 million contribution to the new vocational and technical program, totals $50 million. This is a large portion of the sales tax revenue we will collect in 1962-63.

We trust that the municipalities and the school boards will recognize that these increased transfers are made only at very considerable sacrifice to the Province, as witness the introduction of the sales tax last year. Nevertheless, we believe that they have assisted our municipalities to provide a favourable climate for industrial and population growth. Through these large grants-in-aid we have been able to stabilize local real property rates and keep them within manageable dimensions. If the Provincial load of taxation has been increased thereby, that of the municipalities has been correspondingly lightened.

This Budget, like its predecessors, has been formulated to exert a positive effect upon the Ontario economy. Our continuing goal has been to maintain a stable and high rate of economic expansion. Obviously a number of powerful forces which influence the level of our economic activity extend beyond our control. Nevertheless, we have continuously sought to formulate and mobilize our resources to foster economic growth and higher living standards for our people. It is, therefore, gratifying for me to report to the Honourable Members that our Gross Provincial Product is today running 6 to 7 per cent higher than a year ago. Employment has improved. Ontario's rate of unemployment, on a seasonally adjusted basis, is down almost 50 per cent compared with a year ago and is substantially less than that of the rest of Canada and the United States. Retail sales showed a modest increase last year and are expected to rise more in 1962. The prospects are bright for continuing growth and for increases in personal incomes, corporation profits and savings.

I am confident the Honourable Members will agree that this Budget will not only contribute to the maintenance of this economic momentum, but will facilitate those structural changes in the economy essential to our long-term growth. In this Budget we give recognition to the rapid changes that are occurring in technology, production and trade which call for a stepped-up program of vocational training and retraining. We are also cognizant of the need for expansion of our schools and universities. Indeed, this year our appropriation for education totals $329.8 million, an increase of $60.9 million. Included in this appropriation is $45.4 million for universities, an increase of $8.4 million. Education alone accounts for half the increase in our Budget this year. Upon the standards of our education will depend the ability of Ontario and Canada to progress in the highly technical and commercial world of which we are a part.

Equally fundamental to our long-term development are the health and physical fitness of our people. This Budget provides for an expansion of medical, mental health and dental services, and of the work of the Alcoholism and Drug Addiction Research Foundation. The Budget also deals with an extended housing program aimed at achieving higher standards of housing accommodation for all our people, recognizing, as we do, that adequate housing is fundamental to the goals of our society.

The Budget makes provision for an expansion of facilities in the Department of Economics and Development, and also for the creation and operation of an Economic Council, which consists of representatives of government, management, labour, agriculture, as well as the natural resource and export industries.

Emphasis will be placed upon measures to promote increased prosperity in the northern parts of the Province. The Ontario Northland Railway will extend its line to service the new Jones-Laughlin Iron Mill at Dane at a cost of $1 million. It is also undertaking a $7.2 million extension of its telephone and other communication facilities. Research will be undertaken into spruce bark and pulpwood utilization, the jet smelting process, nuclear energy and other matters.

We will introduce a new Northern Ontario Health Service to operate in four centres. In addition, a new bursary program will encourage medical and dental students to practice their profession in the less populated regions of the Province.

The Budget provides for an increase of 200 in the strength of the Ontario Provincial Police. There will be a further expansion of parole, probation and rehabilitation services.

New measures arc being adopted to expand and improve the parks and recreational facilities of the Province. Provision is being made for the erection by the Ontario-St. Lawrence Development Commission of a fully-equipped restaurant adequate to serve the many visitors to Upper Canada Village.

Increased appropriations are required in order to pay the Provincial share of the $10.00 a month involved in raising the Old Age Assistance, Blind and Disabled pensions from $55 to $65 per month, effective last February 1.

Increased expenditures are required in order to carry out our highway program. There will also be further improvements in the system of motor vehicle registration and inspection.

In order to stabilize the premiums for hospital insurance, this year the Province will con tribute $57.5 million from its general revenues. We are also providing a special additional payment of $2.8 million to the hospitals for capital and debt retirement purposes. Provision will be made for an expansion of out-patient services.

I cite these examples to indicate some of the growth factors in the Budget of $1,126 million for 1962-63 that I am presenting to you today. This is an increase of $129.0 million over our estimated expenditure in this current fiscal year. I would like to impress upon you the magnitude of this expenditure and the revenues which are required to finance it. There is no magical way for the Province to obtain revenue other than by taxation or borrowing. While a judicious use of our credit is not inconsistent with sound finance, excessive borrowing may compound our problems, I think, therefore, that we should not ignore the warning lights that are now appearing.

So far, despite the maladjustments created by changes in international trade and a slower rate of growth than we would like to see, we have managed to maintain a strong financial position. We have been able to obtain an improvement in our tax-sharing arrangement with the Federal Government. We have also had the courage to impose a sales tax which this Budget demonstrates conclusively was unavoidable if we were to assume the heavy responsibilities of education, health and other vital services.

The improvement in economic conditions will be reflected in increased revenues, particularly corporations tax revenue, which last year declined more than we had anticipated owing to the reduction in corporation profits. In the coming fiscal year we are also anticipating larger revenues from personal income and sales taxes, and from several other sources.

We should aim as far as possible in the future to obtain the revenues required for increased services from the normal growth and expansion of the economy. Our structure of taxation is one of the lowest in Canada. For example, we have the lowest rate of any province imposing a sales tax. In no other province is the personal income tax lower than in Ontario, and in two provinces it is 20 per cent higher. One of our largest sister provinces has a higher corporations tax and sales tax. Nevertheless, we must strive as far as possible to confine the extension of our services to the revenues which are raised from the expansion in our economy.

In the light of the large grants to municipalities and educational authorities, very close examination and re-assessment of expenditures should be made.

Neither our revenue sources nor the growth in our revenues are sufficient to meet all the demands which are being imposed upon us for educational, health, municipal and other services. It is therefore necessary to establish a scale of priorities and exercise the maximum of economy. The financial position that I will outline demonstrates the necessity of the sales tax imposed last September. Despite the revenue from this source, the extraordinary requirements, particularly for education and health, are of such magnitude that we will still experience an appreciable shortfall in revenue. Thus the decision we took a year ago to employ a new source of taxation has been vindicated.

This Budget marks the first step in a new five-year plan. We are glad that the Federal Government has embarked on a similar plan. We are deeply conscious of the importance of co-operation between the Federal Government and the Provinces. Under this plan our aim will be to maintain an adequate rate of economic growth consistent with the financial capacity of the Province. Through our Economic Council and various departments and agencies, discussions will be held with industry, management and labour on ways and means of fostering more processing, expanding exports and increasing the Canadian content of our products.

To provide the most satisfactory assurance of adaptability to economic change and long-term economic growth, we will continue to seek new methods of raising standards of education and job retraining, of improving health and physical fitness, of safeguarding our natural heritage, and of strengthening our system of highways and roads and other services, All these aims must be related to the financial capacity of our people and our industries. We must avoid any rate of taxation which will be a deterrent to the type of expansion and development our positive program is designed to achieve. In other words, we must keep things in balance. We must proceed in accordance with good judgment and good sense, and obtain the maximum value out of every dollar of expenditure.

In the current fiscal year we have managed to keep our spending below $1 billion. In 1962-63 it is estimated at $1,126 million. We in the Provincial Government will make every effort to economize. We ask the municipalities and the school boards to scrutinize their spending and enforce economy at every turn. If we are to keep within our objective of financing expanded services out of the increase in our revenues arising from normal growth and development, all public spending bodies must be made conscious of the direction in which their spending trends are leading.

SUPPLEMENTARY ESTIMATES 1961-62

Before I summarize the financial operations of the current fiscal year ending March 31, 1962 - based on 9 months' actual operations and 3 months’ forecast I should like to present for your consideration and approval a number of supplementary estimates totalling $13,973,000.

SUMMARY OF FINANCIAL POSITION FOR 1961-62

Net ordinary expenditure, including $14.0 million in supplementary estimates, $35.8 million for sinking fund and $28.0 million for capital payments out of ordinary revenue, is estimated at $813.3 million. Net capital expenditure is estimated at $211.5 million, of which $175.5 million is for Provincial highways and roads (including $47.5 million for municipal subsidies); $32.0 million for public works, including Ontario Hospitals; $2.0 million for logging roads and conservation works, and $1.6 million for mining access roads. After deducting $28.0 million from net ordinary expenditure for capital construction financed out of ordinary revenue, our combined net ordinary and net capital expenditures in 1961-62 are estimated at $996.8 million, an increase of $125.2 million over combined expenditures of $871.6 million in 1960-61.

As forecast in my Budget Statement last year, the major increases in combined net ordinary and net capital expenditures in 1961-62 are for education and health, which rose by $42.4 million and $42.8 million, respectively, representing nearly 70 per cent of the growth in expenditures. Other increases in expenditure included $9.2 million for highways and roads, $6.6 million for lands and forests, S4.1 million for public welfare, and $6.2 million for public debt interest etc.

When I brought down my Budget last year, I estimated that combined net ordinary and net capital expenditures would amount to $1,015,251,000. Estimates of expenditure for 1961-62 indicate that our outlays will be some $18.S million below the amounts appropriated by this Legislature, after providing an additional $14.0 million in Supplementary Estimates.

Net ordinary revenue and net capital receipts for 1961-62 are estimated at $815.1 million, of which $1.4 million represents net capital receipts. This is an increase of $73.4 million over combined net ordinary and net capital revenues for 1960-61. All of the increase in revenues is attributable to the retail sales tax, which it is estimated will yield $76.0 million in the fiscal year just closing. Although small increases in most of our major sources of revenue are recorded in 1961-62, these were more than offset by the fall in receipts from corporations income tax of $19.7 million and in mining taxes of $4.8 million. Principal sources of revenue are: Corporations Tax, $166.0 million; Personal Income Tax, $120.7 million; Gasoline Tax, $164.0 million; Liquor Control Board, $82.6 million; Retail Sales Tax, $76.0 million; Motor Vehicle Licenses, $69.4 million, and Succession Duty, $40.0 million.

Our interim surplus on ordinary account is estimated at $432,000 after providing $28.0 million for capital works financed out of ordinary revenue and $35.8 million for sinking fund. After providing $211.5 million for new capital construction, our shortfall of revenue in the 1961-62 fiscal year is estimated at $145.9 million. By careful management we have been able to reduce this shortfall by $34.0 million below that which I anticipated a year ago.

THE PROVINCE'S NET CAPITAL DEBT

The Province's net capital debt as of March 31, 1962 is estimated at $1.2 billion, an increase of $148.1 million over that of a year ago. Since the end of the Second World War, however, we have invested over $2 billion in highways and roads, hospitals, schools, and other physical assets, and have added only $758.1 million to the net capital debt.

We have endeavoured to adhere to a policy of prudent use of our credit combined with a moderate structure of taxation. I recognize that some people will say we should have financed a larger part of our capital expansion out of current taxation, that is by raising our rates of tax. We have constantly kept in mind, however, the need for maintaining a favourable tax environment for industry to expand and provide the employment opportunities required by our growing work force.

In terms of both the capital assets we have created and our growing population, the increase in the net capital debt has been very reasonable. For instance, the Province's net capital debt amounts to only 10 per cent of Ontario's total personal income now, compared with 14 per cent 16 years ago. In terms of the Government of Ontario's revenue it would require only 1¼ years' revenue to repay the net capital debt today, compared with 3½ years' revenue in 1946. Thus, while we have made use of our credit to assist us in stabilizing our tax system and in financing our capital program, our debt today is well within manageable limits.

To provide for the orderly retirement of the Province's debt, it is our intention to appropriate annually from the ordinary revenues of the Province, monies sufficient to retire over a 35-year term that part of our debt which was incurred prior to April 1943. All debt incurred subsequent to that date will be retired over a 30-year term. Moreover, we intend to make provision for retirement of all future loans over a 30-year term. These measures will provide stability in our debt retirement program and will assist in keeping the Province's credit rating high.

SUMMARY OF EXPENDITURES AND REVENUES FOR 1962-63

Net ordinary expenditure for 1962-63, including $39.0 million for sinking fund and $66.0 million for capital disbursements financed out of ordinary revenue, amounts to $961.5 million, a rise of $148.2 million over 1961-62. After allowing for additional appropriations of $38.0 million for capital disbursements to be financed out of ordinary revenue and $3.2 million for additional appropria­tions for sinking fund, the increase in departmental expenditures, including debt interest etc., is forecast at $107.0 million. Of this rise, $60.9 million or 57 per cent will go to education. An increased appropriation of $12.5 million will be required for health, $5.8 million for public welfare, $3.5 million for municipal affairs and $6.8 million for the maintenance of our highways and roads.

The Province's capital program will also be increased next year by $18.8 million to a record level of $230.3 million. Just seven years ago in 1954-55 the requirements of our capital program amounted to only $80.5 million or about one-third of next year's requirements. This is an indication of the Govern­ment's program to develop sound physical assets and, at the same time, support high levels of em­ployment and income.

In total, combined net ordinary and net capital expen­ditures in 1962-63 are forecast at $1,125.8 million, an increase of $128.9 million over 1961-62. The major spending departments (ordinary and capital expendi­tures combined), with figures for 1961-62 appended in brackets, are as follows: education $329.8 mil­lion ($268.9 million); highways $264.3 million ($247.2 million); health $144.2 million ($131.7 million); public works $49.9 million ($43.4 million); municipal affairs $43.5 million ($40.0 million); public welfare $60.9 million ($55.1 million); and lands and forests $31.9 million ($29.9 million).

Net ordinary revenue and net capital receipts are forecast at $963.2 million, of which $1.3 million is for net capital receipts. The forecast anticipates that our combined revenues will rise by $148.1 million. A major share of this increase-$84.0 million-reflects a full year's revenue from the retail sales tax. As Honourable Members are aware, this sales tax was only in operation for seven months in the 1961-62 fiscal year. The new arrangements with the Federal Government for the sharing of the personal income tax field combined with improved yields are expected to raise revenues from this source by $32.5 million and an additional $19.0 million is anticipated from higher levels of corporate profits.

Major sources of revenue in 1962-63 are forecast as follows: corporations tax, $185.0 million; income tax collection agreement, $153.2 million; retail sales tax, $160.0 million; succession duty, $40.0 million; gasoline tax, $170.0 million; motor vehicle licenses etc., $70.9 million; Liquor Control Board, $84.6 million; timber dues, bonus etc., $13.0 million, and mining profit's tax, $12.1 million.

A surplus on ordinary account of $374,000 is forecast for 1962-63 after providing $39.0 million for sinking fund and $66.0 million for financing capital construction out of ordinary revenue. However, since our expanded capital program for 1962-63 calls for outlays of $230,3 million, the shortfall of revenue on overall account is forecast at $123.6 million.

THE SOCIAL SERVICES AND HUMAN BETTERMENT

Increased productive capacity in Ontario has made possible one of the highest standards of education, health and welfare in the world. No one will deny the vital importance of good education, good health and adequate welfare standards to relieve suffering and distress. We must, however, constantly recognize that all these services have to be financed out of the product of our industry and our labour. The mounting cost of these services is one that calls for the most careful attention, study and consideration. A decade ago the combined expenditures of the Ontario Departments of Education, Health and Welfare amounted to $137 million. During this current fiscal year they totalled $456 million and in 1962-63 they will increase to $535 million. A decade ago they formed 37 per cent of our total Budget; today that proportion has grown to 47 per cent.

The rapidly rising costs of these three services, which show no sign of levelling off, must be a matter of the most serious concern to all Members of this House. Many complex questions arise to which we have been giving careful attention. A number of the factors contributing to these rising costs are beyond the Province's control. Many restraints or economies must be exercised at the local level. It is true that enrolment in our school system has been increasing spectacularly, double the rate of growth of our overall population, but school costs have been rising even more rapidly. The same situation exists in the fields of health and welfare. The use of hospitals is increasing, but the trend in cost is rising even more rapidly. In welfare, improved benefits and a broader program are also making their effects felt on costs. The whole matter is one which might well commend itself to the careful study of all the Members of this House.

Education

That the Government of Ontario has been giving and is continuing to give leadership in this area is graphically illustrated by the improvements that have been made in the educational program and in the financial assistance provided to school boards and universities. There is, I think, justification for this. Never before has the role of education in preparing our young people for the future been more vital to our economic and social progress, and indeed, even to our national survival, than it is today. Some people have expressed apprehension about our ability to adapt and adjust ourselves to the new world environment which is emerging. However, I would remind them that, while difficult tasks lie ahead, at no time have the opportunities for expanding trade and promoting betterment been so manifest.

As a result of the scientific and technological advances of recent years, it has become increasingly apparent that the existing courses of our high schools and collegiate institutes throughout the Province should be modified to meet the new requirements of many present-day pupils of secondary school age, especially those who do not intend to proceed to higher education of the traditional type. More commercial and technical instruction at this level is required. Accordingly, the Provincial Government is refunding to local secondary school boards 100 per cent of approved capital expenditures made up to April 1,1963 for vocational school accommodation. The Province will be reimbursed for 75 per cent of the payments by the Federal Government under terms of the new Federal-Provincial Technical and Vocational Training Agreement effective April 1, 1961.

It is gratifying to report that an unprecedented number of school boards is providing vocational accommodation for the teaching of commercial and technical courses. By the end of 1961, no less than 202 building projects had been initiated. In most cases existing secondary schools are becoming com­posite schools, although a number of entirely new vocational schools are being established. It is estimated that expenditure made in this Province under the Agreement, including the cost of schools under local boards and the Department of Education, will total $200 million.

This program permits considerable re-organization of the secondary school curricula. The students are offered three courses: Arts and Science, for those who wish to pursue an academic career; Business and Commerce, for students whose interests lie in the direction of business administration or management; and Science, Technology and Trades, for those who wish to enter applied science courses or technological institutes. By taking a five-year course in any of these three divisions, pupils of ability may proceed to university, teachers' colleges or technological institutes. For students who wish to attend secondary school for only four years, special courses are being designed in each of these three divisions. In addition, occupational courses of one or two years' duration will be offered for non-academic students preparing for early entry into our labour force.

To supplement these measures an extensive building program is under way to modernize and enlarge technical training facilities at the post-secondary school level. Work on the west wing of the Ryerson Institute of Technology in Toronto is well advanced and a new building for the Eastern Institute of Technology in Ottawa will shortly be erected. A new Institute will also be provided at Kirkland Lake to serve Northeastern Ontario. Progress is also being made in establishing four new Provincial Trade Schools to be located in London, Ottawa, Sault Ste. Marie and Toronto. None of this new construction involves any capital cost to the municipalities.

Excellent progress is being made in recruiting and training the teachers required to staff our constantly expanding school system. Teacher supply for he elementary schools nearly met the demand in 1961, although some shortage f staff for the separate schools still persists. In September 1961, a total of 6,058 students enrolled in the ten Teachers' Colleges throughout the Province. In the same month, the Lakehead Teachers' College commenced operating from its new building in Port Arthur, with enrolment totalling 231. Construction s also under way on a new Teachers' College in the Windsor area to serve the counties of Essex and Kent. Teacher supply for the secondary schools has increased significantly.

Our construction program to provide new school buildings and enlarge existing school accommodation in all parts of the Province has continued vigorously. During last year, 66,150 pupil places were provided in the elementary school system at a cost of $53 million and 19,520 pupil places were provided for secondary schools at a cost of $32 million. While these figures reveal a deceleration in the building program, I would point out that the volume of secondary school construction will undoubtedly advance sharply in 1962 and 1963 due to the provision of technical-vocational accommodation made possible by Federal-Provincial grant support.

Just as increasing enrolments have brought problems of accommodation to local school boards, higher enrolments in the Ontario Schools for the Blind and Deaf have made additional building necessary. A new wing was added a year ago to the Ontario School for the Blind at Brantford. A second School for the Deaf is under construction at Milton. When completed, it will add significantly to the educational facilities available to deaf children in the Province.

The enrolment in our elementary and secondary schools in this 1961-62 school year totals 1,462,000, an increase of 73,000 over the previous year and 674,000 over the enrolment just ten years ago. Ele­mentary and secondary school enrolment has nearly doubled in that short period of time.

The combined effect of the increase in enrolment, higher teachers' salaries and improved educational opportunities and standards is readily apparent in the rise in our school grants, which in 1962-63 will total $208.0 million, an increase of $26.9 million over those provided in the current fiscal year. Included in this amount are the special grants that are being made under the terms of The Residential and Farm School Tax Assistance Grant Act passed at the last Session to give local tax relief to residential and farm property. In 1961-62 this grant was $5.00 per pupil of elementary and secondary school enrolment for a total expenditure of over $6.0 million. For the coming fiscal year the basis of the grant will be $15.00 per pupil of elementary school enrolment and $5.00 per pupil of secondary school enrolment. This means that total payments under the Act will rise to an estimated $16.0 million.

In evaluating our assistance to education, the Province's contribution to the Teachers' Superannuation Fund is often overlooked. This payment is con­tinuing to rise steadily, and next year will reach a total of $18.3 million.

Recognizing the urgent need for university expansion, the Province is again raising both its capital and maintenance grants. In the fiscal year now ending, capital grants of $17.7 million and maintenance grants of $19.3 million were made available to 13 universities and colleges.

In 1962-63 our grants for capital and special purposes will be increased to $22.4 million, while maintenance grants will be increased to $23.0 million. The net effect is that the grants to universities will be raised in 1962-63 to $45.4 million, an increase of $8.4 million over those being paid in the current fiscal year. In the last two years alone the Province's grants to universities have been increased by $15.5 million, or by 52 per cent. This is eloquent testimony of the support we are giving to the universities and colleges in meeting the demands ahead.

The Government's comprehensive program of student aid is clearly achieving its objective of ensuring that no student who has the ability to benefit from higher education is denied the opportunity because of his financial circumstances. In the fiscal year now ending, more than 5,200 students received bursaries and scholarships totalling nearly $1,450,000. Greater use of the facilities available under the Province's Student Aid Loan Fund established in 1958 is now being made by our students. In the current fiscal year more than 4,000 applications totalling more than $1,750,000 have already been approved. Scholarships will also be awarded under the Queen Elizabeth II Scholarship Fund.

Among the functions to be carried out in association with our educational system is a program of physical fitness aimed at improving the general vigour and health of our school children and our young men and women. We have appropriated $100,000 in 1962-63 for this program. This will supplement the national physical fitness scheme which is now under way.

I make no apology for dealing so extensively with our educational program and its cost. It is a matter of transcending importance. The net appropriation of the Department of Education which you are being asked to approve for 1962-63 totals $329.8 million. This is an average Provincial outlay, excluding the contributions made by the municipalities, of more than $200 per student in our elementary and secondary schools and universities. It absorbs virtually all the revenue that we will obtain from the sales tax, personal income tax and succession duties. The increase for education in next year's Budget of $60.9 million is the largest in the history of our Province.

Health

Another of our major challenges is that of constantly safeguarding and improving the health of our citizens.

Remarkable progress has been made in the last few years in the reinforce­ment and further expansion of our public health services. Recognizing that the unorganized areas of the Province are less able to supply adequate health services, it is our intention this year to introduce a new Northern Ontario Health Service operating in four centres. Furthermore, in order to bring about a more equitable distribution of family physicians and dentists throughout the Province and encourage the services of these essential professional personnel in the less populated regions of the Province, a new bursary program will be introduced. A number of medical and dental students will be provided with bursaries on the understanding that they will repay them in part by serving in areas of the Province where the need is greatest.

Particular attention will be focused on the care, treatment and rehabilitation of the mentally disturbed. Much progress has recently been made in renovating and modernizing existing Ontario Hospitals, but the establishment of new small hospitals and the provision of local out-patient and day-care centres and ancillary supporting services will place even greater emphasis upon the diagnosis, active treatment and rehabilitation of curable cases. The needs of mentally handicapped and emotionally disturbed children are receiving attention.

In consequence of this enlarged program the estimated expenditure for mental health purposes in 1962-63 will total $58.4 million, an increase of $5.6 million over that in the current fiscal year.

Our Hospital Care Insurance Plan, which has been in operation for three years, continues to be an unqualified success. The popularity of the Plan is reflected in the numbers enrolled-slightly over 96 per cent of the population. To stabilize the present premiums of $2.10 monthly for a single person and $4.20 monthly for the family unit for the next two years, we are including in this Budget an appropriation of $57.5 million from general revenue, or $7.5 million more than was provided in 1961-62.

The provisions and coverage of Ontario's Hospital Care Insurance Plan are continuously reviewed and this year a limited extension of out-patient services will be included under the benefits of the Plan. The new provisions will include coverage for certain out-patient services, such as initial and follow-up visits to conclude emergency treatment started within 24 hours after an accident. The Ontario Hospital Services Commission will also allow, as a Plan benefit, out-patient services where equipment and facilities are available at a hospital and where, 55 on the advice of the medical staff, the services can properly and safely be performed on an out-patient basis. These services will be made available to patients who would otherwise require admission as in-patients. The cost to the Commission for these extensions of benefits is estimated at $1,541,000 in 1962-63. This new measure should free a number of hospital beds for the treatment of in-patients and result in savings in capita construction an maintenance costs.

Apart from these extended benefits, a new project aimed at streamlining hospital usage throughout Ontario is under way. In conjunction with the Province and the City of Toronto, a hospital-based home care program is being carried out on a pilot basis by the New Mount Sinai Hospital and the Toronto

Welfare

Welfare expenditures have been substantially increased over the years.

In this current fiscal year, the Province will spend $55.1 million from Provincial tax sources-or more than four times as much as a decade and a half ago. This large increase in welfare expenditure arises from four main areas: the introduction of new social welfare measures; the extension of the scope and scale of existing welfare services; the Province's assumption of an ever-increasing share of the welfare burden formerly borne by the municipalities; and the large increase in population.

You will be asked to approve a larger appropriation to carry out the Province's welfare program for 1962-63. Greater emphasis will be placed upon rehabilitation, not only with respect to handicapped persons, but also through measures aimed at restoring individuals and families to an independent status. The increase, effective last February 1, in the allowances to the aged, the disabled and the blind to a new maximum of $65 monthly will serve this end. An increased appropriation will be required in the homemakers' and nurses' services to keep families together during emergencies that arise from accidents, illness or other distressing conditions. Additional funds are also required to provide supplementary aid to meet extraordinary expenses incurred for shelter, drugs and other special needs. The program of assisting handicapped persons to receive vocational training courses will be expanded. Each year the number of children placed in adoption homes is increasing. Every effort is being made to find suitable adoption homes for the wards of Children's Aid Societies.

While the primary objective of our many-sided welfare program is to provide assistance to those in need, it is evident that such measures in themselves act as built-in stabilizers to our economy, producing benefits that have an effect on the whole economy.

It is estimated that our expenditures for welfare in the next fiscal year will reach the highest level in our history. The cost of these services to the Province in 1962-63 is estimated at $60.9 million, an increase of $5.8 million over the amount expended in 1961-62.

Western Hospital. This program is directed towards enabling patients to leave hospital earlier than customary and receive medical attention in their homes. It is anticipated that some 300 beds will be released for active treatment patients as a result of this experiment.

As in recent Budgets, I am including in the supplementary estimates the amount of $2.8 million to provide a payment of $75 per bed to all qualified public general hospitals in the Province for retiring debt or for some other capital purpose.

To implement this enlarged program we have increased the appropriation of the Department of Health for 1962-63 by $13.4 million to $144.2 million.

HIGHWAYS AND ROADS

To ensure and promote the continued growth and expansion of Ontario's economy we have continually extended and improved our highway and road system, connecting and integrating our diverse and far-spread regions. This is clearly reflected in the Province's total expenditures on highways and roads, which have risen from $22.9 million in 1945-46 to $103.0 million in 1951-52 and to $247.2 million in 1961-62.

Tangible evidence of the use of our highways and roads is indicated by the increase in registered motor vehicles in the Province, from 665,000 in 1945 to 2,123,286 to-day.

During 1961-62 no less than 473 miles of paved highways were completed and 78 structures erected. Notable items in the current year's program include: the completion of five sections of Highway 401, bringing to 377 miles the stretch of this Trans-Provincial freeway now in use; the widening to six lanes of the Queen Elizabeth Way between Highway 27 and Highway 10; the commencement of construction on the new controlled-access Highway 403, which will link the Queen Elizabeth Way near Burlington to Highway 401 near Woodstock: the extension of Highway 10 to four lanes between Highway 5 at Cooksville and Highway 2 at Port Credit; the opening of the second stage of the $35 million Ottawa Queensway; completion of the 585-foot bridge over the Pic River between White River and Marathon, and the 989-foot bridge which carries the new Peterborough by-pass on Trans-Canada Highway 7.

Important as this expansion is, we have not overlooked the necessity of ensuring that the existing highway system throughout the Province is reconstructed and repaved in conformity with modern engineering standards. Among our many activities in this area during 1961-62 were: the reconstruction of more than 225 miles of the Trans-Canada Highway; the completion of the long-term 267-mile paving program between Long lac and Cochrane, including the paving of 53 miles between Hearst and Kapuskasing; and a start on the reconstruction of 22 miles of Highway 11 to further improve the 625 miles between North Bay and Nipigon-the northern route of the Trans-Canada Highway.

Ontario's total expenditure on highways and roads in the current fiscal year amounted to $247.2 million, of which $71.7 million was for maintenance and $175.5 million for capital purposes. Provincial road subsidies to the municipalities and unincorporated townships in Northern Ontario, which are included in the foregoing, totalled $73.1 million, of which $48.2 million was for new construction. Taking into account the amounts that the municipalities themselves will spend, the outlay for highways and roads in the Province in 1961-62 will total $318.7 million, nearly three times the amount spent a decade ago.

Our program for the 1962-63 fiscal year provides for further expansion of the Province's long-term plan of highway improvement and modernization, and also for continuation of the work on such major projects as Highways 11, 401 and 403, the Trans-Canada Highway and the Ottawa Queensway. Work will also be commenced on the new controlled-access route to the Toronto International Airport.

To finance the 1962-63, highway and road program, we are providing appropriations totalling $264.3 million. This is an increase of $17.1 million over expenditures in the current fiscal year. Of the total 1962-63 appropriation, 578.4 million is being provided for maintenance and $185.9 million for capital purposes. This includes $80.9 million for municipal subsidies, of which S29.1 million is for maintenance and $51.8 million for capital construction. This will provide for a combined provincial and municipal program of $343.3 million, an increase of $24.6 million over the combined total in 1961-62.

AGRICULTURE

With the emergence of increasing competition in world trade and the development of new food products and modern means of transportation, it has become evident that all branches of our agricultural industry have to aim at the highest levels of efficiency and quality of production. In the light of measures adopted to ensure that Ontario agriculture remains in the forefront of development, it is gratifying to note that in 1961 the yields of all major field crops exceeded the average of the last 10 years and that farm cash income reached the highest point in its history.

In the coming fiscal year, steps will be taken to strengthen research and marketing facilities. The establishment of the Agricultural Research Institute, which will co-ordinate all research undertaken by the Department, constitutes a history-making development capable of offering benefits to all phases of Ontario's agricultural economy.

Several new buildings have been added in recent years at the Ontario Agricultural College and the Ontario Veterinary College at Guelph. New projects planned include a $3 million science building and a $1 million poultry pathology and virology building. Proposed legislation will bring the two colleges and Macdonald Institute under one administration, which will permit greater co-ordination of activities.

The Ontario Hydro-Electric Power Commission further extended its network of primary distribution lines by an additional 430 miles last year, bringing the total to more than 48,300 miles. About 485,000 rural customers, including 139,000 farmers, are now served by the Commission. This number does not include customers living in areas which have been amalgamated with or annexed to urban municipalities. During 1961 the Commission actually added 24,620 to the number of rural customers being served, including 1,427 new farm customers.

To facilitate the expansion of agricultural activities, expenditures of the Department of Agriculture, which in 1961-62 are estimated at $16.4 million, will be increased by $0.6 million to $17.0 million in 1962-63.

NORTHERN ONTARIO DEVELOPMENT

Honourable Members, and particularly those from the northern parts of the Province, will find much in this Budget that is encouraging. Our program for Northern Ontario is being accelerated. Several departments including the Departments of Lands and Forests, Mines, Economics and Development, Travel and Publicity, and Agriculture, as well as the Economic Council, the Ontario Research Foundation, and the Ontario Northland Railway, are stepping up their programs to stimulate northern development.

The objective will be not only to bolster the northern economy in the short run, but to undertake a number of studies and research projects which will enhance its prospects for the future. Our objective is to develop new products, process more of our natural resources in Ontario and expand sales in markets at home and abroad.

Among the most promising facets of these developments has been the exploration for and development of new mines. This has been facilitated by the Federal-Provincial airborne geophysical survey which covered 60,000 square miles in 1960 and another 34,000 square miles last year. During the coming year an additional 35,000 square miles will be surveyed. Field parties are also being organized to follow up these surveys and give assistance in the development of new resources.

Plans to bring several iron ore properties into operation are in various stages of development. This spring, construction will commence on a $30 million mine and mill plant for processing and pelletizing iron ore at the Dane iron ore deposits, 20 miles north of Englehart. It is expected that this operation will ultimately employ 400 men. Development activities are also continuing north of Nakina, south of Kowkash, near Lake St. Joseph, south of Red Lake, at Timagami and elsewhere.

The conservation and regeneration of our forests is also receiving fresh attention. In the interest of continuing development and greater perfection in the management of our forests, the Province's forest resources inventory is being updated. In 1961, a total of 11,300 square miles were re-photographed from the air; this year a much larger area is to be covered.

At present more than 156,000 acres of forest land are under the management of the Department on behalf of municipalities and conservation authorities. Next year some 10,000 acres will be added to the total. The Province's tree nurseries produced 45 million trees in 1961; this number is expected to be increased to 52 million in 1962 and 57 million in 1963.

Under the Federal-Provincial "Roads to Resources" program, initiated in 1958, some 225 miles of access roads will have been virtually completed by the end of this year. Construction of an additional 150 miles of road, estimated to cost $15 million, has been approved under the Agreement. A further 100 miles of access roads are being built or up-graded.

A number of other agencies are collaborating in the study and formulation of methods that will accelerate growth in the north. For instance, the Ontario

Northland Railway will build, at a cost of about $1 million, a new spur line of 4.7 miles to the Dane iron ore deposits. Construction is expected to commence about May 15 and the line is scheduled to be completed by the fall. When haulage operations begin in 1963 the Ontario Northland Railway is expected to carry daily about 50 carloads of pelletized ore, five days a week.

The Railway has also embarked on a major communications program, costing $7.2 million, which will provide for the installation of micro-wave facilities and the modernization of the vast communications system which it operates. Work has already started on improving the facilities at North Bay. Capital works will be undertaken in various parts of Northern Ontario, including Kirkland Lake, Moosonee, Cochrane, New Liskeard, Rarnore, Fraserdale and Otter Rapids. This program, which will be largely completed by 1963, will provide up to 500 new jobs in direct on-site employment.

The Ontario Research Foundation will continue its northern studies this year with increased Government grants. It will start a new project on cellulose utilization, with the hope of finding new uses for cellulose available from Northern Ontario black spruce, and will initiate a study on the pulping characteristics of various trees. You will be requested to approve larger appropriations for these purposes.

HOUSING

Honourable Members are now familiar with the new housing plan which was announced last week, therefore, I shall not attempt to do more than outline its fiscal implications and point out that it represents a new and bold effort by the Government to meet public housing needs in the light of the greatly changed conditions that now exist.

During the current fiscal year the Province's capital expenditure on various projects will total $2.0 million. This will be substantially increased, however, as an appropriation of $5.6 million is being provided for the coming fiscal year. These expenditures reflect the increased participation of the municipalities in rental-type projects, stimulated by the policy change carried out in the fall of 1960 whereby capital and operating costs were assumed by the three levels of Government in the ratio of 75 per cent Federal, 17½ per cent Provincial and 7½ per cent Municipal, and rents were geared to an income formula. Many requests have now been received from the municipalities for this type of subsidized rental project and several new housing developments are under way. Many more are in various stages of negotiation.

The appropriation you will be asked to approve involves a many-sided approach to the problem of public housing. In general, the shortage of housing accommodation has been overcome, but there are still pockets of real need among families requiring rental housing and particularly among those who cannot pay an economic rent. Under the Federal-Provincial partnership, the Ontario Government will:

1. Seek to simplify procedures and limit the delays on present rental housing and land assembly projects.

2. Acquire, rehabilitate and manage existing housing units for public housing purposes.

3. Undertake the establishment of the Metropolitan Toronto Housing Authority as a public company acting as an agency to simplify and speed up the development of public housing in the Toronto area.

The Province itself will introduce a number of special projects, among which are the following:

(a) An experimental and pilot rent certificate scheme under which existing housing will be leased for a period of years and made available to families at rents which are related to their incomes. The Province will pay the difference between the actual rents required by the leases and the amounts the tenants will pay. The object of this plan is to improve the housing accommodation of families now occupying sub-standard housing and unable to pay higher rents. The units will be available only to families eligible for normal Federal-Provincial housing. Should the experiment prove successful, it is hoped that Federal authorities may then enter into the scheme jointly with the Province and the municipalities in extending the area in which it may be applied.

(b) Grants to assist non-profit limited dividend companies and other groups constructing non-profit limited dividend housing for elderly persons, the physically handicapped and families of low income.

(c) Assistance to acquire and rehabilitate older properties in redevelopment and borderline areas.

(d) Advice and technical assistance in the form of interim financing to groups interested in constructing housing for their own occupancy by co-operative effort.

(e) Studies to explore ways and means of providing preventive maintenance of housing, particularly in areas which might otherwise become depressed and ultimately involve expensive redevelopment projects.

(f) Studies on housing to ensure that needs will be met in the most efficient and economical way.

AID TO MUNICIPALITIES

I have already drawn to the attention of the House the staggering amounts we are paying to the municipalities, school boards and other local agencies. I wish, at this point, to expand somewhat more on my earlier remarks to indicate the varied local services which we are assisting. In the 1961-62 fiscal year the municipalities, school boards and other local agencies will receive assistance from the Province in the amount of $375 million or, in fact, $384 million if we include the $9 million representing the Province's share of the cost of constructing technical and vocational schools. In 1962-63 this outlay will rise to $425 million plus an additional $29 million for the vocational and technical schools, or a total of $454 million. This is a huge amount. In the four budgets I have introduced in the House we have transferred to the municipalities and their agencies revenues of nearly $l½ billion. Some 20 years ago only 18 per cent of our total revenues was paid over to the local municipalities; now it is over 45 per cent. Obviously, there are limits as to how far we can go.

To provide the maximum relief to the owners of residential and farm properties who, in general, are unable to treat their local taxes as an expense, and accordingly as a deduction from income for income tax purposes, the Province restricts to residential and farm properties the benefit of its unconditional grant to municipalities. In the coming fiscal year the grants payable under The Unconditional Grants Act will total 526.4 million.

In addition, under The Residential and Farm School Tax Assistance Grant Act passed at the last Session, municipalities can similarly restrict to residential and farm property the benefit of the special per pupil grant to elementary and secondary schools. The grant per pupil in elementary schools for 1962-63 is being increased from $5 to $15, and the school board, in receipt of the school tax assistance grant, or the municipal council on its behalf, is required to reduce the school tax rate on home owners and farmers by 10 per cent below that applicable to industrial and commercial properties. In other words, after applying this special per pupil grant the residential and farm mill rate for school purposes will be 90 per cent of the industrial and commercial school mill rate. A special per pupil grant of $5 will also be paid to secondary schools, and at this time no change will be made in the optional formula that was used last year in applying this grant. The amount payable in 1962-63 under this Act, which is of special benefit to residential and farm property owners and occupiers, is $16 million.

School and library grants are being increased from $185.3 million in the 1961-62 fiscal year to $214.0 million in the coming fiscal year, or by $28.7 million. The Province's contribution to the Teachers' Superannuation Fund is being raised from $17.5 million to $18.3 million, an increase of $0.8 million. The capital outlay for vocational schools will be augmented from $9 million to $29 million. Thus, the combined increase totals $49.6 million, from $211.7 million in this fiscal year to $261.3 million in 1962-63.

To finance the municipal Winter Works program we are including $10 million in the Estimates. The Province's road subsidies are also being increased by $8 million to $81 million in 1962-63. Substantial payments will also be made in connection with hospitals.

To enable the Ontario WTater Resources Commission to carryon its expanded program, $25 million will be provided for capital and $2.5 million for operating purposes. The Ontario Municipal Improvement Corporation will also continue to provide capital to enable municipalities to carry out various capital projects.

Through these vast Provincial expenditures we have been able to keep local taxation manageable and at the same time to assist in the provision of new and greatly expanded services throughout Ontario.

REVENUE CONSIDERATIONS

The outline of the comprehensive program I have presented demonstrates why the Province required additional revenue. I think you will agree that our course has been right. We simply could not meet our obligations to education, health, welfare, highways and all the other services which are essential to a modern expanding economy without the revenue that we are obtaining from the 3 per cent sales tax imposed last September.

It is easy for those who have no responsibility to dream up painless ways of raising revenue. On analysis, these ways are neither painless nor practicable. The fact is that we had no alternative but to obtain additional revenue, and after a careful examination we concluded that there was only one real source, namely a sales tax. To have resorted to other taxation would either have been ineffective or have dampened efficiency and enterprise, and made our Province less attractive as an area for expansion.

Most of the provinces in Canada have had a sales tax for a considerable number of years. The provinces of Quebec and Saskatchewan imposed a sales tax more than 20 years ago. For many years, Ontario was able to finance its expansion without significantly extending its sources of taxation. It took the view that its revenue should come from the growth of the economy and a greater participation in the fields of personal and corporation income tax.

The new Federal-Provincial fiscal arrangements that come into effect April 1 this year and apply to the taxation year which commenced last January 1, represent an improvement over those that are now expiring. Under the new arrangements the Province will receive an increase in its share of the personal income tax from the present standard rate of approximately 14 per cent of Federal rates of tax to 16 per cent in 1962, and by an additional one percentage point in each of the four succeeding years up to 20 per cent in the year 1966. This will provide the Province with an additional revenue increment in the first year of about $19 million, which in each of the four subsequent years will be augmented, on the basis of current yields, by approximately $9 1/2 million a year. We were gratified by the Federal proposal to increase our share of the personal income tax field, but the new arrangements, helpful as they are, did not obviate the necessity of the Province finding an additional source of revenue.

I am confident that no one will disagree that the Province required increased revenues. It may be contended that we should cut our expenditures. But where would you cut? Would you reduce the appropriation for schools, universities, hospitals, roads and highways, health, welfare and other services so vital to our way of life? Would you slash our assistance to the municipalities? These services are essential to our continued economic growth and well-being. No responsible government could have adopted any other course but to find the additional revenue required to enable it to play its traditional role in the development of this Province.

In turning to the retail sales tax field, as many other provinces were obliged to do before us, we were seeking a source of revenue that would not place obstacles in the way of economic growth. The underlying consideration was to keep our tax structure at the lowest minimum consistent with sound financing in order to ensure the maintenance of an economic climate that would promote expansion and the creation of jobs. We were anxious to provide the maximum stimulation to industry and were determined not to place a greater burden on any class of taxpayers than was absolutely necessary to preserve a strong financial position. It was fully expected, as has been demonstrated, that the Province would still be required to use its credit in financing its capital program.

The sales tax is a tax on income when it is spent. It does not deter willingness to work and save, which in a young country such as Canada is of great importance. The fact that exemptions under the Ontario plan are very broad, relieves the tax of regressive features. Certainly the tax is widely employed, being used by eight of the provinces and most of the states of the American Union. Our rate of tax is the lowest in Canada and exemptions are more generous than those in any other jurisdiction.

By exempting food, fuel, rent, children's clothing, hooks, school supplies and medical expenses, we have avoided taxing most of the items that represent the greatest expense to families with small budgets. It bears lightly on low income groups and more heavily on high income groups in accordance with the principle of ability to pay. Furthermore, by granting exemptions on farm machinery and repair parts, seeds, grains, fertilizer and other materials, we have taken into consideration the position of the farmer and have prevented any upward pressure on the price of food stuffs. To hold prices and costs down, we have exempted from tax the machinery, apparatus and materials used or consumed in the process of manufacture or production of tangible personal property for sale.

We recognize that the collection of a sales tax directly, as the provinces are required to do under the Constitution, instead of as the Federal Government does indirectly, has certain administrative disadvantages. At the Federal-Provincial Conference in July 1960, we proposed that an amendment be made to the Constitution to empower the provinces to impose a retail sales tax indirectly. It was not our intention that any province should levy a hidden tax, or that the tax should be imposed at the manufacturers' or wholesalers' level. We suggested that the Province should have authority to impose a sales tax on the retailer in a manner that would enable him to total up the value of the taxable items he sold and to calculate and pay his tax thereon. This would provide some simplification of the tax from the standpoint of the retailer. The proposal was not adopted, however, although the Prime Minister of Canada indicated he would acquiesce if the provinces were unanimous in seeking such an amendment.

Despite this limitation imposed by our Constitution, we are continually striving to ensure that the sales tax is administered and collected as efficiently and economically as possible. Prior to the imposition of the tax, we studied the methods of administration employed by the other provinces and numerous states of the American Union. The information gained has been extremely helpful. As we profit from our own experience we shall constantly be on guard to ensure that we have the fairest and most economical system that can be devised. Already, experience has led us to propose a number of improvements to which I shall refer in a moment.

Among the various alternative suggestions advanced is a plan to exempt from tax all consumer purchases of $25 or less. Obviously, such a sizeable exemption would have a drastic effect on the revenue expected from the tax. The effect of such a change, while extremely difficult to estimate, would reduce revenue substantially.

Many millions of dollars of tax revenue would be lost in tax avoidance. It would produce a major distortion of normal production, trade and marketing patterns. Consumer demand would shift from taxable items to non-taxable items. Piecemeal buying would become the fashion. The result would be not only consumer and marketing waste and inconvenience, but also loss of revenue. To avoid the tax, consumers would endeavour to make their purchases by components. For example, instead of buying a set of golf clubs, they would buy one or two clubs at a time. There would be a tendency to buy kitchen or dining room furniture by units rather than by sets. The same practice would develop in the appliance field. Producers and distributors would seek products selling under the $25 limit. In some cases this could only be achieved at the expense of quality. All these effects would be multiplied many times if, in order to compensate for the loss in revenue occasioned by the higher exemption, the rate of sales tax was increased on items that could not be sold under the $25 limit.

If we make an allowance for the avoidance of the tax which would result from a $25 exemption, the rate on taxable items would not be 3 per cent but closer to 8 per cent. Such a tax, which would apply to many of our manufactured products, would cause a serious dislocation to existing production and distribution patterns. Manufacturers of consumer durables would be the hardest hit.

Furthermore, the adoption of a sales tax with an exemption even approaching S25 would add greatly to administrative and collection problems. It is well known that these problems are the least when exemptions are the fewest. While we have adopted a plan which provides the most generous exemptions in North America, the administrative problems now encountered would be as nothing compared with what they would be with a $25 exemption.

The suggestion looks appealing, but there are immense difficulties and drawbacks. Its adoption would produce not only marked tax avoidance and a multiplication of administrative and collection problems, but a serious distortion to established economic production and trade patterns. It is no accident that no other jurisdiction in the world has imposed a general sales tax exemption even approaching $25. We have, therefore, but to conclude that this is a completely unworkable suggestion.

In my last Budget Statement I dealt fully with the feasibility of obtaining an equivalent revenue from corporation and personal income taxes and from fringe sources. I shall not repeat the explanation I gave at that time and the conclusion reached, that these taxes simply would not produce the required revenue without serious disturbances to our economy. Neither the circumstances nor the facts expressed at that time have changed.

Changes in Exemptions

As expected, our experience with the sales tax has suggested a number of amendments to broaden exemptions and simplify administration. The changes in exemptions, effective April 1, 1962, are as follows:

1. Food products that are exempt from taxation under the Act will be expanded to include insulin, vitamins and certain dietary supplements which are now classed as drugs and medicines.

2. The definition of classroom supplies will be widened to include all instructional equipment and equipment used for research purposes by universities. All such supplies and equipment will be exempt from tax when bought by schools, school boards, colleges and universities.

3. A new definition of students' supplies will be included for exemption, and any child or other person will be able to buy these materials tax free.

4. Public hospitals will be able to buy free of tax certain equipment as defined by the Treasurer for their own use and not for resale.

5. Works of art when purchased by museums or art galleries whose revenue is provided by public donations and grants by public bodies will be tax exempt.

6. Religious institutions will be able to purchase free of tax equipment for use in that portion of their premises where religious worship is regularly conducted.

7. Religious and educational publications as defined by the Treasurer will be made tax free.

8. Equipment as defined by the Treasurer, purchased by a person licensed to trap fur-bearing animals by the Minister of Lands and Forests, will be exempt from tax.

Other Amendments

Other amendments will be introduced not only to make clearer certain provisions now in the Act but to simplify the collection of the tax. Vendors whose taxable sales never exceed $100 in each of two consecutive months will be granted permission to file their returns on a quarterly or half-yearly basis rather than monthly as now required under the Act. In businesses which have a fairly constant percentage of taxable sales to total sales and where tests are conducted at frequent intervals to ensure the accuracy of the percentage for each period in which tax remittances are required, arrangements may be made to calculate the amount of tax to be remitted on a formula basis, thus relieving the vendor of the necessity of keeping detailed records of his taxable sales. Where such arrangements are made, the vendor will of course be subject to periodic audit with a view to determining the accuracy of any formula so arranged. It should also be noted that small retailers can largely eliminate the keeping of detailed records through the use of a receptacle in which the tax is deposited at the time of each transaction.

NO TAX INCREASES

Having dealt extensively with the sales tax and the Province's need for revenue, I am pleased to announce that there will be no new taxes and no increases in tax rates. There will be a number of amendments besides those I have mentioned in connection with the sales tax and these may be summarized as follows:

The Corporations Tax Act

The Corporations Tax Act will be amended to bring its provisions into line with the amended Income Tax Act of Canada pursuant to the adjustments made to that Act at the last session of Parliament.

The Succession Duty Act

Minor amendments will be introduced to The Succession Duty Act:

1. An insurance company will be permitted to make a payment up to but not exceeding $5,000 to a widow under any contract of insurance without the consent of the Treasurer. This will double the amount that the widow can obtain under these circumstances at the present time.

2. Interest on non-payment of duty will not commence until six months following the death of the deceased.

The Income Tax Act

An amendment will be introduced to The Income Tax Act that will permit the completion of reciprocal arrangements with the Province of Quebec whereby the tax collected by Ontario during a year may be paid over to the Province of Quebec on behalf of a taxpayer who has moved from Ontario during the rear and is a resident in Quebec on the last day of that year.

It is expected that a similar amendment will be made to The Income Tax Act of the Province of Quebec to take care of the situation when a taxpayer moves from Quebec to Ontario.

The Motor Vehicle Fuel Tax Act

Minor amendments are being made to this Act to ease the penalty pro­visions that are now contained therein.

The Hospitals Tax Act

Effective April 1, 1962, the exemption from tax on the price of admission to places of amusement will be increased from 25 cents to 56 cents and the tax on the price of admission to places of amusement between 57 cents and 92 cents will be reduced by one cent. Also, the exemption from tax on the price of admission to places of amusement that are not Class D theatres in communities having a population of less than 10,000 will be increased from 65 cents to 75 cents.

CONCLUSION

In this Budget I have endeavoured to provide an account of our stewardship of the Province's affairs in the current fiscal year and to outline our proposed program for the coming fiscal year. I think you will agree that this Budget sets before you and before the Ontario people an imaginative, forward-looking program, the benefits of which will ramify throughout every sector of the economy. The Budget itself is a positive step in a five-year program aimed at maintaining our current high rate of economic growth-a rate of growth capable of producing more jobs and higher living standards for our increasing work force.

There are numerous immediate benefits-an unprecedented expansion and modernization of our educational system; improvements in health and welfare; a bold, new housing plan; increased municipal assistance; a record-breaking highways and municipal roads expenditure; measures to promote a vibrant Northern Ontario; an expansion of the Ontario Provincial Police and parole, probation and rehabilitation services; measures to extend and improve recreational facilities and the physical fitness of our people-all of which will increase employment and add to the strength of the Ontario economy.

This Budget also lays the foundation for future growth-new research, the creation of public capital, new access roads and measures to stimulate natural resources and manufacturing, construction of a spur line to tap a new iron ore deposit, development of a new communications system in Northern Ontario, the establishment of the Economic Council, and an examination into measures to promote greater processing, increased Canadian content in domestic manufactures and expanding exports.

Attention is also to be given to measures to maintain our international competitive position. Our growth, and indeed our economic survival, depends upon keeping our costs in international equilibrium. While this Budget provides for an expansion of private and public capital expenditures, we cannot hope that this policy will by itself achieve an acceptable rate of growth without measures being adopted to maintain our manufacturing industries on a competitive footing. We cannot lift the economy to an acceptable rate of growth through public spending alone. We must create an economic climate and environment that will enable private enterprise to expand vigorously and our industrial economy to advance from strength to strength, If we do this, we will have no difficulty in raising standards of human betterment through an extension of social welfare services.

Our record demonstrates that we have not been content to stand still.

We have moved forward vigorously and dynamically in accordance with the wishes and needs of the people. We have been a pioneer in many fields of economic and social betterment. Despite a record breaking expenditure, there will be no tax increases. On the contrary, we are providing a measure of tax relief by a broadening of exemptions in the sales tax and certain other reductions to the hospitals tax. Nevertheless, we have to face up to the fact that the expansion in our services has been making increasing demands upon the Province's financial resources, and we have to take this fact into consideration. We have provided good administration and sound financing. We intend to keep it that way. As an integral part of our five-year plan we shall endeavour to equate expenditures and revenues supported by a prudent use of our credit. We shall provide the fullest possible value for every dollar we spend.

By careful planning and single-minded devotion to our goals and objectives, and with the co-operation of the Government of Canada, 1 am confident that Ontario can move steadily ahead. While the future will give rise to new problems and formidable challenges, it will also provide rewarding opportunities for those who accept its discipline and adapt themselves to it.

SUMMARY

1. This Budget, like its predecessors, has been formulated to exert a positive effect upon the Ontario economy. It contains programs concerning public projects, services and financing which will not only contribute to the maintenance of our economic momentum, but will facilitate those structural changes in the economy essential to our long-term growth.

2. Supplementary Estimates for 1961-62 total $13,973,000. These special grants and payments include:

(a) Assistance to School Boards to Provide and Equip New Vocational Units, aggregating $9 million;

(b) $75 per bed for all qualified public hospitals in Ontario, totalling $2.8 million;

(c) $100,000 for the Ontario Heart Foundation;

(d) $73,000 for the Provincial Institute of Automotive and Allied Trades; and

(e) $1 million each for the Teachers' Superannuation Fund and the Public Service Superannuation Fund.

3. Since the end of World War II, the Government has invested over $2 billion in highways and roads, hospitals, schools, and other physical assets, and has added only $758.1 million to the net capital debt.

4. In 1961-62, the Province achieved a surplus on ordinary account of $432,000, after providing $28.0 million for capital works financed out of ordinary revenue and $35.8 million for sinking fund. Thus, the surplus on ordinary account before the provision of these items was $64.2 million.

5. In 1961-62, the Province's net ordinary expenditure is estimated at $813.3 million, after providing $35.8 million for sinking fund and $28.0 million for capital payments out of ordinary revenue Act capital expenditure is estimated at $211.5 million. Combined net ordinary and net capital expenditure, after deducting $28.0 million for capital payments out of ordinary revenue, is estimated at $996.8 million, an increase of $125.2 million over 1960-61. Net ordinary revenue and net capital receipts in 1961-62 totalled $815.1 million, an increase of $73.4 million over 1960-61.

6. The net ordinary expenditure of the Province for 1962-63, including $39.0 million for sinking fund and $66.0 million for capital disbursements financed out of ordinary revenue, is forecast at $961.5 million-an increase of $148.2 million over 1961-62.

7. Net ordinary revenue and net capital receipts in 1962-63 are forecast at $963.2 million, an increase of $148.1 million over 1961-62.

8. Anticipated net capital expenditure for 1962-63 totals a record $230.3 million-$18.8 million higher than in the current fiscal year. Just seven years ago in 1954-55 the Government's capital program called for only $80.5 million or about one-third of next year's requirements.

9. A surplus on ordinary account of $374,000 is forecast for 1962-63 after providing $39.0 million for sinking fund and $66.0 million for financing capital construction out of ordinary revenue. Thus the surplus on ordinary account before making these provisions is forecast at $105.4 million.

10. The Province's record Budget in 1962-63 amounts to $1,126 million, an increase of $129.0 million over the estimated expenditure in the current fiscal year and demonstrates conclusively that imposition of the retail sales tax was unavoidable if the Government was to meet the heavy responsibilities of education, health and other vital services.

1l. This Budget marks the first step in a new five-year plan. Under the plan the Government's aim will be to maintain an adequate rate of economic growth consistent with the financial capacity of the Province. Through the Economic Council and various departments and agencies, discussions will be held with industry, management and labour on ways and means of fostering more processing, expanding exports and increasing the Canadian content of our products.

12. The combined expenditures of the Ontario Departments of Education, Health and Welfare are forecast at $535 million for the coming fiscal year compared with $456 million in the current year and $137 million a decade ago. The outlays of these Departments account for 47 per cent of the Government's current Budget as against 37 per cent ten years ago.

13. To stimulate the provision of commercial and technical school accommodation, the Provincial Government is refunding to local secondary school boards 100 per cent of approved capital expenditures made up to April 1, 1963 for vocational school accommodation. It is estimated that expendi­tures to be made in this Province under an agreement with the Federal Government and including the cost of schools under local boards and the Department of Education, will total $200 million.

14. Enrolment in the Province's elementary and secondary schools in the 1961-62 school year totals 1,462,000 - an increase of 73,000 over the previous year and 674,000 over the enrolment just ten years ago. Elementary and secondary school enrolment has nearly doubled in that short period of time.

15. The Province's school grants will rise to $208.0 million in 1962-63, an increase of $26.9 million over the level in the current fiscal year.

16. Assistance to universities will be greatly increased in 1962-63, and will total $45.4 million, an increase of $8.4 million over that paid in the current fiscal year. In the last two years alone the Province's grants to universities have been increased by $15.5 million, or by 52 per cent.

17. The net appropriation of the Department of Education for 1962-63 totals $329.8 million an increase of $60.9 million over the previous year's level and the largest in the history of the Province. The Provincial outlay, excluding the contributions made by the municipalities, amounts to more than $200 per student in our elementary and secondary schools and universities. It absorbs virtually all the revenue obtained by the Province from the sales tax, personal income tax and succession duties.

18. To stabilize the present premiums under the Province's Hospital Care Insurance Plan-now embracing 96 per cent of the population-the Government has appropriated $57.5 million from general revenue for this purpose, or $7.5 million more than was provided in 1961-62.

19. To implement the Government's enlarged health program, the appropriation of the Department of Health for 1962-63 has been increased by $13.4 million to an all-time high of $144.2 million.

20. The Province's expenditures for welfare in the coming fiscal year will reach a new high of $60.9 million, an increase of $5.8 million over the amount spent in 1961-62.

21. The Province's highway and road program for 1962-63 will require $264.3 million, an increase of $17.1 million over expenditures in the current fiscal year. The combined Provincial and municipal program will amount to $343.3 million-an increase of $24.6 million over the combined total in 1961-62.

22. Among the functions to be carried out in association with our educational system is a program of physical fitness aimed at improving the general vigour and health of our school children and young men and women. An appropriation of $100,000 has been made in 1962-63 to finance this program.

23. The Ontario Government through its Departments, as well as the Economic Council, the Ontario Research Foundation and the Ontario Northland Railway, will step up its program to stimulate northern development. The Government's object is to develop new products, process more of our natural resources in Ontario and expand sales in markets at home and abroad.

24. The Province has introduced a many-sided approach to the problem of public housing. In particular, the program is designed to alleviate real need among those pockets of families still requiring rental housing and especially among those who cannot pay an economic rent. Under the Federal-Provincial partnership, the Ontario Government will seek to limit delays on present rental land assembly projects; acquire, rehabilitate and manage existing housing units for public housing projects; and undertake the establishment of the Metropolitan Toronto Housing Authority as a public company in order to speed up public housing in the Toronto area.

The Ontario Government itself will introduce a number of special projects, among which are the following:

(a) An experimental and pilot rent certificate scheme;

(b) Grants to assist non-profit limited dividend companies and other groups constructing non-profit limited dividend housing for elderly persons, the physically handicapped and families of low income;

(c) Assistance to acquire and rehabilitate older properties in redevelopment and borderline areas;

(d) Advice and technical assistance in the form of interim financing to groups interested in constructing housing for their own occupancy by cooperative effort.

25. The Province's assistance to municipalities and school boards, amounting to $375 million in the current fiscal year, will be increased in 1962-63 by $50 million to the unprecedented level of $425 million. If the $29 million for new vocational and technical schools is included, the total assistance amounts to $454 million.

26. The Government will introduce a number of amendments to the retail sales tax legislation designed to broaden exemptions and simplify administration. The changes in exemptions, effective April 1, 1962, apply to such categories as food products, classroom supplies, student supplies, works of art, and certain equipment purchased by public hospitals and religious institutions.