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| Ontario | 27e | 3e | Discours du budget | 10 février 1965 | James N. Allan | Treasurer of Ontario | Progressive Conservative Party of Ontario |

Mr. Speaker,

This is the seventh occasion I have had the honour to submit the annual Budget to this House. This year, as in past years, there are many demands made upon our resources. The Budget that I am presenting this afternoon represents a well-balanced plan designed to meet the essential requirements of a dynamic economy. It employs our resources in the manner that is most beneficial to the present and future well-being of the citizens of Ontario.

As Treasurer, I have been extremely gratified by the growth and development that has been taking place in our Province. We are now entering the fifth year of the longest period of expansion since World War II. This growth, coupled with sound policies and prudent management, has enabled us to undertake a broad expansion of Provincial services and still maintain a strong financial position. I am pleased to report to the Honourable Members that we shall end the current fiscal year in a more favourable financial position than I had anticipated a year ago.

Underlying this growth and development are the services and physical facilities that are provided by the Province and its municipalities. In the six years since I delivered my first Budget Statement in 1959, the Province has expended directly or by way of assistance to local authorities nearly $6.1 billion in strengthening and developing the economic and social fabric of Ontario. With expenditures of this magnitude, the Government is obviously making an im­portant contribution to the generation of high levels of income and employment.

In our developing society, the concept of the role of government is constantly changing. Increasingly it is realized that the provision of traditional services and the creation of physical assets is not enough. Modern conditions require us to break new ground in such areas as vocational training, job-retraining, post-secondary education, and in trade and industrial promotion. We must also adopt broad new programs in the social services. It is in these areas that our people and industry now look to government for leadership and assistance in realizing their maximum potential in our specialized, complex and competitive world. We have developed our Budget plans with these considerations uppermost in our minds. We believe that our financial program will provide the ingredients necessary for another year of continued progress in our society and economy.

To ensure that this program is as effective as possible. we are continuing to stress measures designed to ensure maximum economy and efficiency in government operations. Our resources are always limited in relation to the scope of the services and programs that are required. We are making use of the latest business management, cost control and personnel administration techniques. With the co-operation of departmental administrators, these policies are resulting in substantial administrative savings and they are ensuring that our government administration is kept modern and efficient.

The need for increased Provincial expenditure must be balanced by the need to maintain taxation and debt management policies consistent with the sound and balanced economic growth which our expenditures are designed to promote. Undue demands upon the revenue-producing capacity of our economy could have as adverse an effect upon economic growth as the failure to provide the services required by that growth. Similarly, imprudent Provincial borrowing could impair our ability to fulfil our responsibilities in the future.

After careful consideration of our present financial position, the priorities in our expenditure program and the capacity of our revenue resources, we have developed a financial plan which provides for substantially increased expenditures in those areas where the needs are greatest. It hinges upon our assessment of economic conditions in the coming year. Thus, we must first examine the per­formance of the economy, both past and anticipated.

ECONOMIC CONDITIONS

The past two years have made a tremendous contribution to Ontario's wealth and standard of living of the people. In 1963, the Gross Provincial Product rose by a billion dollars, and in 1964 a rise of $1.4 billion brought the total to $18.5 billion. The volume of real Gross Domestic Product is estimated to have risen by 6.1 per cent in 1964. Since the population increased by 2.2 per cent, there was a gain of 3.8 per cent in the production of goods and services per person in the Province.

The growth in the economy was reflected in the number of jobs created. The rise of 89,000 (or 3.7 per cent) in the number of jobs was enough to absorb the total expansion in the labour force (78,000) and also to reduce unemployment by 11,000. As a result, the unemployment ratio declined from 3.8 per cent in 1963 to 3.3 per cent in 1964 (compared with a ratio of 5.5 per cent in the rest of Canada). The decline in unemployment was a feature of almost all parts of the Province, including some centres which had experienced severe unemployment in recent years.

The surging growth in Ontario's economy was particularly emphatic in manufacturing. In the first ten months of 1964, manufacturing shipments were up by $1,062 million in Ontario. This was $230 million more than the increase in shipments for the rest of Canada.

Ontario's performance was equally impressive in new construction. In the first three quarters of 1964, the increase in the number of houses and apartment units started in Ontario was greater than in the rest of the country. In the first ten months of 1964, the increase in the value of municipal building permits issued in Ontario was almost one-third greater than in all the other provinces. The value of residential construction contracts in Ontario in 1964 rose by more than 3S per cent over 1963, while the increase in the rest of Canada was less than 10 per cent. The increase in construction contracts for offices and stores awarded in Ontario in 1964 equalled the value of the increase in the rest of the country. Total capital investment in the Province last year is estimated to have increased by $400 million over 1963-the largest year to year increase for eight years.

In addition to manufacturing and investment, the third basic reason for Ontario's rapid expansion in 1964 was the rise in exports. Ontario benefited directly from a 40 per cent increase in exports of fully manufactured end products, most of which originated in this Province. Transportation equipment and various types of machinery showed the sharpest gains. In fact, more than one-third of the increase in Ontario manufacturing shipments in 1964 is estimated to have come from exports.

Indirectly, Ontario benefited from the increased exports originating in other provinces, particularly wheat and industrial raw materials. Sales of Ontario manufactured products such as motor vehicles, furniture and electrical appliances rose more rapidly in the Prairie provinces, for example, than they did in Ontario itself.

There were several major reasons for the rise in exports last year. The buoyancy in the American economy created strong demand for Canadian resources. Demand was high in almost all of our other traditional export markets. The special sales of wheat and flour accounted for close to $400 million in export sales. The special incentive for exports of automotive parts was largely responsible for doubling parts exports. Defence sub-contracts provided a strong stimulus to exports of aircraft and parts. Lastly, there was a new awareness on the part of manufacturers of the competitive advantage provided by devaluation and by the faster rises in costs ill European countries, combined with the co-operation between business and government expressed through the Ontario Trade Crusade.

The rapid pace of economic activity in Ontario resulted in a substantial rise in imports of manufactured goods. In the first seven months, imports were responsible for almost 40 per cent of the growth in Canada's domestic market for manufactured products other than food. Most of these imports consisted of machinery and equipment, motor vehicles and parts, other transportation equipment, and primary steel products for our rapidly expanding construction activity.

The importance of the Ontario Government's efforts to expand manufacturing exports and encourage domestic manufacturing to compete with imports more effectively is illustrated by this comparison of imports and exports. In the first seven months of 1964, imports of fully manufactured products other than food rose by 21.1 per cent, exports by 42.4 per cent, and the deficit of trade in fully manufactured goods by 14.3 per cent to reach $1.6 billion. The appropriate conclusion is surely that our secondary manufacturers must continue to press their advance in export markets by increasing their sales efforts and improving their productivity and cost advantages. The Ontario Government will expand its efforts to assist business to achieve these aims.

The people of Ontario can expect another substantial increase in economic production in 1965 and a continued rise in their standard of living. Another healthy expansion in private and public investment is scheduled. Consumer demand for non-durables and services will continue to increase, while the market for durable goods will be supported by residential construction, the affluence of the expanding number of young adults and a strong replacement demand. Exports of raw and processed materials as well as secondary manufactures should remain buoyant.

SUPPLEMENTARY ESTIMATES FOR 1964-65

Before presenting a summary of the financial operations for the current fiscal year, I should like to introduce for your consideration and approval supplementary estimates totaling $15,390,200.

The members, I am sure, will be interested in further details of some of these supplementary estimates.

The grant to the Ontario Research Foundation is a continuation of this Government's support of basic and applied research through the Foundation, in order to provide new opportunities for our technical and professional people and to encourage the development of new products and techniques. The contribution of $3,520,000 will assist the Ontario Research Foundation in the relocation of its facilities at the newly created Sheridan Park research community where its library, computer centre, laboratories, and research and development services will form the nucleus of a unique scientific complex.

Supplementary estimates of the Department of Health total $9,372,000.

Further support for the vitally important role of our public hospitals is provided by the following: a payment of $75 per bed to all public hospitals in the Province; special grants totalling $3,050,000 to be paid to teaching hospitals; and a contribution of $2,500,000 to be made to Wellesley Hospital, Toronto, in support of its medical, teaching and research functions. As well, we have provided funds to aid in the very necessary and worthwhile work carried on by certain private organizations concerned with public health.

An advance payment of $1,640,000 will be made to municipalities in respect of costs incurred for child welfare. While this payment will not affect the level of grants payable in anyone calendar year, the receipt of this money by the municipalities earlier in the calendar year than previously should prove to be of benefit to the municipalities in financing current expenditures.

SUMMARY OF EXPENDITURES AND REVENUES FOR 1964-65

I now present a summary of the estimated net expenditures and revenues of the Province for the current fiscal year. The statement shows a very gratifying improvement in our financial position over that anticipated in the Budget Statement of February 12, 1964.

On the expenditure side, we have conformed quite well to our budgetary plan. Including the special grants and payments to which I have referred, the aggregate of net ordinary expenditure and net capital expenditure on physical assets is estimated before provision for debt retirement at $1,295.3 million. Net ordinary expenditure before providing $40.0 million for sinking fund and $143.0 million for financing capital payments out of ordinary revenue amounts to $1,031.7 million, and net capital expenditure on physical assets is estimated at $263.6 million. Our aggregate expenditures are up $15.8 million over the forecast after inclusion of the Supplementary Estimates. The principal reason for the increase is an upward adjustment of $12.9 million in the general legislative grants to elementary and secondary school boards.

The net expenditures for 1964-65 represent an increase of $156.0 million over the actual costs incurred in the preceding fiscal year. The increase is largely attributable to the higher expenditures that have been required for education, health, highways and welfare services. These four departments account for three-quarters of the overall growth in expenditures. The increases are $47.0 million for Education, $36.8 million for Health, $21.4 million for Highways and $11.4 million for Public Welfare. Other significant increases in expenditures, after giving effect to changes in departmental responsibilities, include $8.8 million for Public Works, $6.1 million for Energy and Resources Management, $5.1 million for Economics and Development, and $5.0 million for Lands and Forests.

By major spending departments, the net ordinary and capital expenditures of the current fiscal year are as follows: Education, $428.0 million; Highways, $301.9 million; Health, $158.8 million; Public Welfare, $72.1 million; Public Works, $50.3 million; Municipal Affairs, $43.6 million; Attorney General, $34.0 million; and Lands and Forests, $532.2 million.

On the other hand, we have experienced in the current fiscal year a marked improvement in revenues. The net ordinary revenue and net capital receipts are estimated at $1,217.8 million, of which $2.1 million represents net capital receipts from the sale of physical assets. This is an increase over the preceding fiscal year of $136.4 million. The major sources of revenue are: corporations tax, $234.0 million; gasoline tax, S220.0 million; income tax collection agreement, $194.6 million; retail sales tax, $194.3 million; Liquor Control Board, $110.0 million; motor vehicle licenses and permits, $74.0 million; and the succession duty field, $61.1 million.

It should be noted that the Province's revenue from the succession duty field consists of $46.0 million in collections under its own Succession Duty Act and a payment of $15.1 million from the Federal Government. The payment from the Federal Government represents the additional 25 per cent share of the estate tax that the Federal Government agreed to make available at the Federal-Provincial Conference of November, 1963. The arrangement that has been adopted applies to each of the three fiscal years 1964-65 to 1966-6i, and the payment is subject to the condition that the Province does not increase its own rates beyond those in effect on March 31, 1964.

Overall, the Province will end the current fiscal year ill a stronger financial position than was forecast. The buoyant economy has contributed to a substantial rise in revenues which will enable us to meet over 70 per cent of the capital program out of current income. Thus, even after providing $15.4 million in supplementary estimates, the excess of expenditures over revenues will be reduced to $77.S million, and the increase in net capital debt will be $27.4 million less than was anticipated a year ago.

NET CAPITAL DEBT

This Government recognizes that the creation of physical assets such as highways and roads, hospitals, schools and other facilities is vital to the economic and social fabric of our society. Consequently, in addition to generous provision for universities, schools and hospitals, we have for some years been undertaking an ambitious capital program to ensure that these facilities are available.

In the current fiscal year, the capital program totals an estimated $263.6 million, of which $215.0 million is for highways and municipal roads. $36.4 million for public buildings and other structures, $5.4 million for conservation projects, $2.7 million for mining. logging and access roads, and $4.1 million for parks, rural power lines and the water management program. These outlays represent a substantial addition to our physical assets and indicate the high confidence that we have ill the future of our Province.

In order to preserve a strong credit position in the money market, we have followed the policy of meeting a substantial proportion of our capital expenditure out of ordinary revenue. Thus, in the current fiscal year, while we have under­taken a capital program of $263.6 million, the estimated increase in our net capital debt has been held to $78.4 million.

The net capital debt at March 31, 1965 is estimated at $1,423.2 million. In relation to the wealth and resources of this Province, the level of the net debt is well within reason. It approximates the 1964 increase in the Gross Provincial Product and is equivalent to the Provincial net revenue for fourteen months.

FORECAST OF EXPENDITURE PROGRAM FOR 1965-66

I would like now to place before the Honourable Members a summary of the Government's overall expenditure program for the coming fiscal year. This program is more than a simple response to increased demands for public services. It represents a bold and positive plan designed to promote and stimulate a marked advance in the material, social and cultural life of our people.

Net ordinary expenditure before providing S41.5 million for sinking fund and $112.0 million for capital payments to be financed out of ordinary revenue is forecast at $1,162.9 million. This is an increase of $131.2 million over the current fiscal year. Of the increase, $80.4 million or 61 per cent will be required by the Departments of Education and University Affairs. Other major increases include $12.3 million for Public Welfare and $5.3 million for Highways.

The Province's net capital expenditure on physical assets will also be in­creased, rising by $33.1 million to a record high of $296.7 million. Of the total, $239.1 million or nearly 81 per cent will be for Provincial highways, municipal roads, and mining and forestry roads. The remainder of the capital program consists of $44.0 million for public works, $6.8 million for conservation projects, and $6.8 million for parks, recreational areas and other purposes.

In total, the net expenditures on ordinary and capital accounts are forecast before providing for sinking fund at $1,4S9.6 million. This is an increase over the current fiscal year of $164.3 million. The net expenditures by major spending departments are as follows: Education, $444.9 million; Highways, $329.4 million; Health, $161.7 million; Public Welfare, $84.4 million; University Affairs, $63.7 million; Public Works, $57.6 million; and Municipal Affairs, $48.5 million.

THE SOCIAL SERVICES AND HUMAN BETIERMENT

Indicative of the almost over-riding concern of this Government with programs aimed at human betterment and the preservation and rehabilitation of human resources is the magnitude of the overall expenditure which the Government proposes in 1965-66 on education, health and welfare. Our people must be healthy, competent and productive if the challenges of a growing and rapidly changing economy are to be met successfully. Therefore, we are continually seeking and effecting major improvements in these services. In the past decade, the expenditures on human betterment have more than tripled, and they now account for approximately one-half of the Province's total Budget. In the coming fiscal year, we are forecasting the net combined expenditures of the Departments of Education, University Affairs, Health and Public Welfare at $754.6 million. This is an increase over the current fiscal year of $95.5 million, and it brings our total spending on these services to a level approaching that expended for all purposes just six years ago.

Education

Education occupies a position of pre-eminence in our expenditure program.

In the coming fiscal year, the net expenditure of the Department of Education will rise by $62.6 million to $444.9 million. The anticipated increase in the Department's expenditures will thus represent 38 per cent of the total increase in the Budget for all purposes.

As the Honourable Members are well aware, the question of increasing education costs has been a matter of concern to our Government for many years, and we have steadily increased Provincial grants at every level of education. One of the main reasons for the introduction of our Ontario Foundation Tax Plan last year was to provide substantial relief to home owners and farmers from the burden of taxation on their property for school purposes.

As we plan for the financing of government services during the next decade, it becomes abundantly clear that expenditures on education must inevitably increase, and substantially so, until the early 1980's at least. And, it is of equal importance to realize that expenditures on education will increase not only in absolute terms of total amounts, but relatively at a much faster rate than in other sectors of our economy.

As you know, enrolment in all educational institutions has been increasing at a much faster rate than the general population, and at the secondary and post-secondary levels this growth has been accentuated by ever-increasing demands for much higher levels of education. Enrolment in our elementary and secondary schools has more than doubled during the past twenty years, and we arc told that it will double again before another twenty years have elapsed. During the same period, enrolment in universities and colleges has tripled, and we may expect to see it triple again during the next decade.

Concurrently, there has arisen a growing need for education in the commer­cial and technical branches at both the secondary and the post-secondary levels. This need we have recognized in the support given to the building of vocational schools and by carrying out a construction program for Provincial Institutes of Technology and Trades. This demand will, of course, intensify and increase in the future, and the needs must be met if we are to equip our youth and adults with the knowledge and skills demanded by modern technology.

Equally significant, from the point of view of total expenditures, has been the steady rise in the unit costs of education. While these increases reflect, and indeed parallel in some respects, increases in salaries, wages, and costs of living generally, they have over part of the period increased at a somewhat faster rate.

We are thus faced with a future of rapidly increasing expenditures on education and at a rate well above that of the general level of our economy, due to enrolment increases, new and greater demands for higher levels of education, and increases in unit costs in keeping with the continuing increase in our general standard of living. For the next decade at least, therefore, education will perforce be Ontario's Number One problem.

Let me be more specific. The enrolment in the elementary and secondary schools of the Province increased by more than 76,000 last September to nearly 1,674,000 or about one-quarter of our total population. It had been expected that the construction of school buildings would show a decline in 1964, but the decrease was slight, owing to the accelerated movement towards establishing centralized elementary schools in rural areas and a steady demand for more vocational school facilities at the secondary school level.

The year 1965 will be a memorable one in Ontario's educational history, since it marks the establishment of the township as the general unit for the administration of rural public schools. This January some 423 township school area boards in the counties took over the responsibilities carried formerly by 1,926 boards of school trustees. In the organized townships of the districts of Northern Ontario there has also been a reduction in the number of boards. Larger units open the way for broader planning, and it is expected that the consultative committees being established by county councils will give impetus to the consolidation, in due time, of a number of township school areas into still larger units of administration.

Effective in January of this year, all schools for retarded children opera ted by local parents' groups were placed under Retarded Children's Education Authorities, and thus, for the first time their current operation will be fully supported by public funds. The Province, through the Department of Education, will pay 80 per cent of the cost of maintaining these schools, and the remaining 20 per cent will come from the municipalities in which the children reside.

Grants to elementary and secondary school boards under the Ontario Foundation Tax Plan in the year just past were paid in five instalments - in February, April, August and November, with an additional cheque in July to boards entitled to receive a grant under the Corporation Tax Adjustment Grant provision. In the coming fiscal year, the total amount available for school grants will be increased by $32.7 million to $331.0 million. This will mean that over the first two years of operation of the new Plan the grants to school boards will have been stepped up by $97.3 million or 41.6 per cent. The new Plan is contributing much to ensure a sound basic education for school children across Ontario and at the same time is providing marked benefits to the local ratepayers.

Forecasting, preparation and financing are three activities that are inseparable from educational endeavour in these changing days. As I mentioned, forecasts indicate continued expansion in enrolment, with particularly heavy demand at the secondary and post-secondary school levels. The preparation activity touches school construction, teacher supply and curriculum, and steps are being taken in regard to each of these. Increasing enrolments and higher standards of services lead inevitably to higher costs. With educational costs now representing such a substantial portion of all public expenditures, it is essential that the utmost care is exercised at both the local and Provincial levels to see that full value is received for every dollar spent and that every expenditure made is fully justified in terms of prudence and educational worth.

University Affairs

Through the new Department of University Affairs and the Ontario Universities Capital Aid Corporation, substantial assistance is being provided to help our universities meet the needs of the rapidly increasing number of young people seeking higher education.

September 1964 saw record enrolments once again in the universities of Ontario. It is encouraging to report, however, that the co-operative planning that has taken place in recent years resulted in more than a sufficient number of places to accommodate the record number who enrolled. Two new universities, Brock University at St. Catharines and Trent University at Peterborough, enrolled their first students. While initial classes were relatively small, it is expected that altogether 3,400 students will be attending these institutions within five years. In addition, the first students will be enrolled this September at the new campus of York University, at Scarborough College of the University of Toronto and at Wellington College of the University of Guelph. Planning is also going forward for Erindale College of the University of Toronto.

One of the most significant events of the year was the announcement of a special program of Government assistance for the expansion of medical and dental teaching facilities in the universities. It includes a new Medical School at McMaster University, a new Dental School at the University of Western Ontario, a new Medical-Sciences Building at Queen's University, and enlarged facilities at the University of Toronto.

In the coming fiscal year, the Provincial funds made available to the universities in the form of operating and special grants, and capital assistance will be increased by $64.0 million to $163.3 million. The operating and special grants will be stepped up by $17.6 million to $63.3 million, and the capital loans to be made available through the Ontario Universities Capital Aid Corporation will be increased by $46.4 million to $100.0 million.

It should be noted, in connection with these grants to cover operating costs, that the amount proposed represents the recommendations of the Advisory Committee on University Affairs. Universities, of course, are free to establish the fees they will charge since they are independent institutions. However, I might point out that these recommendations from the Advisory Committee were based on the expectation that there would be no increase in fees for the academic year 1965-66. The one exception is Osgoode Hall Law School which did not increase its fees last year and where tuition was somewhat below the fees for the other law faculties in the Province.

The $100.0 million to be made available for the capital programs of the Provincially assisted universities and colleges through the Ontario Universities Capital Aid Corporation represents an increase of 87 per cent over the amount made available for the current fiscal year. This aid will enable the universities to provide the facilities required to meet the demands of the increasing university population. Application for financial support for capital works will be made on a project-by-project basis. This procedure will permit each project to go forward with assurance of financial support at the time it is required rather than having to await the results of a submission once a year, as has been the case in the past.

Of unquestioned importance to the well-being of the citizens of this Province are hospital care insurance, mental health services and public health programs.

I am pleased to report that hospital insurance has been provided for an increased number of our citizens and that at present an estimated 99.2 per cent of the eligible population is covered under the Plan, the broadest coverage yet attained. Included in the Budget for the coming rear is an amount of $50.0 million from the general revenue of the Province to subsidize those costs of the Plan not met by premium subscription and the contribution by the Federal Government. After having carefully reviewed the projected costs of the Hospital Care Insurance Plan, I am pleased to announce that, with the continuation of the present policy of subsidizing the Plan to the extent of $50.0 million each year, there will be no increase in premium rates over the next three years.

The grants provided through the Ontario Hospital Services Commission for hospital construction, renovation and expansion will be $15.6 million in the coming fiscal year, all increase of $3.5 million over the interim estimate for 1964-65. Funds in the amount of $9.5 million will also be made available to provide low-interest loans to encourage hospital construction. This plan has already been successful in stimulating expansion in areas of the Province where the need for additional hospital accommodation is particularly urgent.

I’ll the field of mental health, our policy is to stress the early detection and treatment of mental illness in the patient's own community. To this end, we are encouraging, through the hospital construction program, the building of psychiatric facilities in general hospitals. Many new beds have already been provided and out-patient facilities have been increased. Facilities for an additional 750 beds for this purpose are now in the planning and construction stages.

It is proposed to spend an additional $2.3 million in the corning fiscal year to carry out the provisions of The Homes for Special Care Act, passed by this House last year. This new program is designed to place mental patients who no longer require psychiatric treatment in suitable homes in various communities. In this way we can help ensure that the accommodation, facilities and skills of the Ontario hospitals are fully utilized for the active treatment of mentally ill patients.

It is hoped that programs such as these will render it unnecessary to build additional Ontario hospitals; meanwhile our policy continues to be to improve facilities in these hospitals by increasing the ratio of staff to patients and reducing overcrowding. To provide for these programs, the expenditure of the Mental Health Branch, including the cost of operating the Ontario hospitals, is forecast at $74.9 million for 1965-66, an increase of $4.8 million over the interim estimate for the current fiscal year.

Our services ill the field of public health are also being expanded. The Central Laboratory will be in operation in the latter half of the coming fiscal year. In addition, increased assistance will be made available to local jurisdictions and health units to help them safeguard the health of their communities.