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| ***Province*** | ***Législature*** | ***Session*** | ***Type de discours*** | ***Date du discours*** | ***Locuteur*** | ***Fonction du locuteur*** | ***Parti politique*** |
| Ontario | 27e | 5e | Discours du budget | 14 février 1967 | Charles MacNaughton | Treasurer of Ontario | Progressive Conservative Party of Ontario |

Mr. Speaker,

I consider it a great privilege to bring down the Budget of Ontario for 1967- a budget which, I believe, is itself a measure of the economic and social progress of this province in our centennial year. I am conscious of an added degree of responsibility, indeed of honour, as I take over the task from so able and distinguished a predecessor as the Honourable member from Haldimand-Xorfolk. In fact, now that I have prepared my first budget, I find that I am in a position to appreciate even more the great contribution he made to this province in his eight years as Treasurer.

Before launching into my statement, let me comment briefly upon the organization of this budget document and the direction in which our economic and financial planning is moving. You will be happy to hear that my formal statement will be much shorter than traditional practice would dictate. This greater brevity has been achieved by a curtailment of the detailed facts and figures of departmental programs presented in the Budget Statement in previous years. However, all essential facts and figures will still be made available to the members of this House. In the first place, the detailed description of all the programs which make up this budget will be presented during the departmental estimates. Secondly, the supporting analysis and background to the form and direction of the budget will be even more extensive but, this year, it will be contained in Budget Papers which I intend to table at the conclusion of my speech.

This combination of Budget Statement and Budget Papers represents the first step in a new format which we plan to develop in a more comprehensive manner next year. The new format and the preparation upon which it is based reflect the substantially changed position of the provincial government in the economic and financial life of this country. The budget itself is a delicate instrument of economic and fiscal policy which has a profound influence on the character, direction, and extent of economic growth and on the financial markets of the country. At the same time, we tread the slender tightrope between the reasonable expectations of our people for government services and a constant awareness of the burdens on the taxpayer. As a reflection of our determination to proceed purposefully towards overall short-term and long-term goals of an economic and financial nature, the Government has established the necessary machinery to co-ordinate all matters relating to fiscal, budgetary, economic, and inter-governmental policy.

Such a procedure requires extensive insight into the characteristics and circumstances of the whole provincial economy, as well as an awareness of the limitations within which we must work in a federal system of government. We have made a beginning on a task that is both compelling and demanding. Success in such a venture requires a deep probing of current economic conditions along with an appraisal of the prospects for the coming years. Analysis of this nature provides us with guidance on the means of reaching our economic goals through the two avenues available to us: first, the pattern of our expenditure program designed to remove economic bottlenecks and to contribute to productivity throughout the private sector of the economy; second, the effect of our fiscal policy in terms of the total budgetary impact upon the economy. In both cases, our over-riding purpose is the achievement of a high degree of economic development and, at the same time, the most rapid rate of economic growth.

However, it is clear that the fiscal policy role of the province is limited by the federal-provincial framework. With ever-increasing proportions of govern­mental expenditure taking place in the provinces and municipalities, we believe that joint federal-provincial action is required to achieve truly effective fiscal policy, and to ensure stable economic growth and full employment without inflation. Perhaps the greatest task confronting economic and fiscal policymakers in Canada today is to summon up the will to co-ordinate fiscal policy measures and then to devise the way to implement such co-ordination.

The material presented in the Budget Papers this year provides a detailed portrayal of three sets of information:

• a panoramic view of the economic background and economic conditions upon which our budgetary policy has been based;

• a description of the main areas of emphasis in this year's budget through documentation of the expenditure themes which I will outline later in this speech;

• a presentation of the financial statements of the provincial government and of this budget.

SUMMARY OF FINANCIAL OPERATIONS FOR 1966-67

I would like first to review briefly the outcome of our budgeting for 1966-67.

On the basis of eight months' actual and four months' forecast, our position appears as follows. Net ordinary expenditures, excluding provision of $42 million for sinking funds, will amount to $1,496 million. This amount includes sup­plementary estimates totalling $9.9 million which the House will be asked to approve. Details of this amount are shown in the Budget Papers and in the printed Estimates which will be placed before you.

Net capital disbursements on physical assets are estimated to total $336 million. This means combined net expenditures will amount to $1,832 million for 1966-67. Because of the remarkably high level of economic activity, our revenues will be considerably above last year's expectations. Net ordinary revenue plus net capital receipts are estimated at $1,781 million. Thus, we will end the current year in a considerably stronger position than was forecast a year ago. Our net capital debt at March 31, 1967, is estimated at $1,429 million, only $49 million higher than at March 31, 1966. This represents a real achievement, particularly when o ie considers the huge capital programs that we have carried out during the past year.

We have attained this position by a combination of good financial planning and favourable economic conditions. However, the point remains, as demon­strated by the projections of the Tax Structure Committee, that our requirements will grow heavily over the next five years. This is the position in which all of the provinces find themselves, and it is a position which will require major federal assistance. For our part, it provides further justification of the need for clearly defined expenditure priorities and the introduction of programs on a carefully planned basis. Timing is as significant as the basic decision to initiate new programs. Adequate consideration of the effect on social and economic development is no less important.

ECONOMIC CONDITIONS

The scope and emphasis of the budget for 1967-68 must be viewed against our assessment of the prospects and requirements for the provincial economy this year. Therefore, let me begin with a brief report on the performance of the economy in 1966 and the prospects for 1967.

The past year was a very good one for the Ontario economy. Our Gross Provincial Product increased by more than 9 per cent, to a total of $22.8 billion. The number of our people employed rose by 102,000 while unemployment was held down to a rate of 2.5 per cent of the labour force. Total salaries and wages climbed by 12 per cent to $11.6 billion. The trend was strongly up throughout the provincial economy as a whole.

While the economy performed well in the aggregate in 1966, the pace of activity was uneven. Beginning in the late spring and continuing through the rest of the year, the boom began to slow down. As is normal when the crest of the business cycle is reached, this slower pace of economic advancement was accompanied by higher prices and a substantial decline in the rate of increase of productivity.

The effects of the slowing down in 1966 will carryover into 1967, with the result that the economy is unlikely to match last year's record performance. Nevertheless, the prospects for this centennial year are good. With an early and strong revival in residential construction and a continuing increase in business investment, we can reasonably anticipate that our Gross Provincial Product will rise by at least 7 per cent this year. This 7 per cent rate of growth, which is the overall basis for our revenue and expenditure projections, is made up of a 4 per cent growth rate in real terms with a prospective 3 per cent increase in prices; this is close to the long-term average growth rate of the province.

However, I believe that even a 7 per cent growth rate is less than the full capacity of this province for expansion in 1967. In fact, our potential output should be considerably above the rate of increase in either the United States or the European industrial nations. In great measure, our ability to attract large numbers of highly skilled immigrants will determine the extent to which a substantial increase in the labour force becomes possible and, in turn, the extent to which we experience an even higher rate of economic growth. The challenge to policy-making this year is to assist in the creation of conditions that will enable us to fulfill this greater potential as far as possible. We are, therefore, proceeding with a number of policies which are designed:

• to relieve serious bottlenecks such as the shortage of housing;

• to improve further the quality of our labour force so that productivity can be increased;

• to encourage and assist industries to export and to engage in essential research;

• to build up yet further our stock of social capital, and

• to bring into the mainstream of our economic life those individuals and families who have been left behind by the rapid changes in our society.

The expenditure programs in the budget this year have been designed to meet many of these requirements and at the same time to provide an expansionary stimulus to the overall level of economic activity. In addition, to the extent that our provincial budget will, through borrowing, return a larger flow of funds to the economy than is withdrawn, we shall add a positive thrust to the pro­longation of the economic boom which has prevailed since early in 1961. These provincial actions, by themselves, cannot ensure that our full potential is reached. We believe that the federal government should also design its fiscal and monetary policies with a view to stimulating economic expansion. Since co-ordination of the whole range of economic policies between the two levels of government is a prerequisite to success, the existing federal-provincial arrangements require continuing scrutiny.

FEDERAL-PROVINCIAL RELATIONS

After long and careful preparation, Ontario sat down with the federal government and the other provinces last year to renegotiate the federal-provincial financial arrangements. The position which we put forward in these negotiations was based on the work of the Tax Structure Committee which demonstrated that the expenditure responsibilities of the provinces would far outpace their revenue resources over the next five years. The financial position of the federal government, on the other hand, was shown to be far more favourable. Thus, we argued for a substantial transfer of taxing resources to the provinces to bring their revenue-raising capacity more in line with readily discernible long-term needs.

Ultimately, a new arrangement was decided upon, to go into effect on April 1, 1967, but to be reviewed within two years. Under the new arrangement, Ontario gains 4 additional points of personal income tax plus 1 additional point of corporation income tax. For its part, the federal government will withdraw from a direct role in university financing and will phase out its capital assistance under the Technical and Vocational Training Agreement. Instead, the federal government has offered to share 50 per cent of our operating costs for post­secondary education. The additional fiscal transfer of 4 + 1, however, is in­cluded in the federal government's 50 per cent share and will make lip the great bulk of what we can expect to receive. The new arrangements also resulted in an equalization formula which provides substantial increases in payments to the provinces east of Ontario.

These results fall far short of our expectations and our needs. The new arrangement merely provides a minor improvement in the basic fiscal imbalance between our two levels of government. I t does little to match revenue sources to expenditure responsibilities over the longer term. As a result, we shall be obliged to undertake the same exercise again within the next two years.

In approaching the problem of federal-provincial co-ordination, we believe that there are three possible ways in which the federal government and the provinces can share control over fiscal policy. The first is for the provincial and municipal governments to develop a stable set of growth policies on a long-term planning basis. The federal government would then assume the responsibility for making the required tactical adjustments, within its own growth strategy, through the use of the economic levers of commercial, fiscal, monetary, and exchange rate policies. This option depends on a more appropriate method of sharing revenues so that the provincial and municipal governments can effectively plan their expenditures on a longer term basis.

The second option is to continue, as in the past, to see provincial-municipal programs adjusted in accordance with the cyclical variations in their revenue capacity. The effect is to encourage a reduction of expenditures at the very time expansion is required, thus aggravating the business cycle and frustrating the policies recommended by the Economic Council of Canada.

The third option is for provincial-municipal governments as well as the federal government to adopt contra-cyclical budgeting programs of their own, through stabilizing their growth programs and accepting the large deficits that will result from cyclical variations in their revenues. This option would imply that the provincial and municipal governments should play the major role in fiscal policy because of their greater expenditures. Such a suggestion immediately introduces the problem of Bank of Canada support for provincial debt operations similar to that given to the federal government. It would also raise the problem of differential fiscal policies in the various regions of Canada.

In our view, the preferable option is the first wherein the federal govern­ment is primarily responsible for short-term contra-cyclical policy. The provinces, on the other hand, should gear their budgets around a longer-term growth policy taking care not to aggravate business cycles by intensifying the trend of private investment. The choice of this option means that the Ontario Government will continue to press for a redistribution of revenue sources after the reports of the Royal Commission on Taxation and our Ontario Committee on Taxation have been studied.

In the meantime, whatever additional revenues we need must be generated by our provincial economy. For this reason, the emphasis which we have placed in the budget on devices to remove economic bottlenecks, to increase productivity, and to stimulate economic growth is dearly warranted.

GOVERNMENT EXPENDITURES

The expenditure program which I am presenting to you today reflects expanded activity on six broad fronts. It provides for new and expanded programs to meet more fully the needs and aspirations of our people. It calls for greatly increased investments to strengthen the underlying sources of our capacity to grow. It seeks to do all that is necessary to achieve the full potential of our human and physical resources.

Human Development

Ontario's one overriding goal is the creation of the opportunity for every individual to develop to his fullest potential, thereby enriching his own life and benefiting the province at large. Education is our principal instrument for working towards this goal of maximum human development. For many years now we have sought to provide the best possible education and training facilities for all the youth and for adults in every part of the province. We have broadened our overall program into new areas, developed new techniques and created new institutions. We have striven to make education a creative adventure for its participants at the same time as training them to work effectively in the modern world.

The cost of this commitment to human development is heavy. In the current year, $785 million of our provincial revenues have gone for education and training programs. The returns, however, are many times greater. Our efforts in education have raised the knowledge and skills of our people and contributed greatly to Ontario's rapid economic growth. Indeed, the high standard of living and generally good life enjoyed by Ontario people today is due in large measure to our past investment in education.

The budget provides for still further provincial resources to be devoted to human development. In 1967-68 Ontario proposes to spend $878 million on education and training programs and to provide $185 million on capital aid to universities for a total of $1,063 million - an increase of 35 per cent over 1966-67.

In addition, our Ontario Education Capital Aid Corporation will lend $150 million to municipalities and school boards for construction of elementary and secondary schools.

Large-scale capital investment in new buildings and facilities is an important feature of our education program for the coming year. University expansion alone will require $165 million in 1967-68 if we are to ensure that a place is available for every student capable of higher education. Continued expansion of technical and vocational schools will require $50 million, and S20 million has been allocated for construction of Colleges of Applied Arts and Technology. As well, substantial capital outlays are planned for Ryerson, the Hamilton Technical Centre, and other provincial institutions. In total, these capital expenditures on education and training facilities will amount to some $260 million, $85 million more than was invested by the province in 1966-67. In addition to these expenditures, a substantial proportion of the legislative grants to school boards covers debt charges relating to past construction.

In the forthcoming fiscal year, we propose to increase our legislative grants to school boards by $60 million. This will bring the province's total financial assistance to local school boards to $444 million in 1967-68, an increase of 90 per cent since the Ontario Foundation Tax Plan was started four years ago. The gradual assumption by the province of a larger proportion of education costs has been broadly beneficial. It has increased the financial resources of local boards, thereby helping to improve and expand education opportunities.

In the year ahead our universities will need massive financial support. Again this fall they are preparing for an enrolment increase of over 10,000 students, which will bring Ontario's total university population to 74,000. I believe this government can be justifiably proud of the part it has played in making this possible.

On the recommendation of the Committee on University Affairs, we are doubling our university operating grants to $161 million in 1967-68. These grants will be distributed among the universities according to a formula developed jointly by the Committee on University Affairs, the Committee of University Presidents, and the Department of University Affairs. After analyzing needs and studying costs incurred in previous years, the Committee on University Affairs has recommended that a basic income unit of $1,320 be provided under the formula for 1967-68. Translated into terms of actual enrolment, this means that our universities will receive an average of $2,181 per full-time student to meet operating costs during the next academic session. New and emerging universities will also receive special operating assistance in recognition of their high initial costs.

The education and training budget for 1967-68 embodies many other important changes. We have increased the appropriation for the Ontario Institute for Studies in Education by 60 per cent to a total of $8 million so that it can undertake a greatly expanded program of research and post-graduate education. Funds for student awards have also been virtually doubled-from $10 million in 1966-67 to $19 million for the coming year. We have also planned for significant expansion of our educational television effort and our language training program for immigrants. As well, we intend to broaden the apprenticeship training program into a variety of new trades and to continue our efforts in the short-term training area.

To me, the large increases in education and training expenditure we have provided in 1967-68 make good sense. Use of resources to round out and broaden our already comprehensive education program is one of the most productive investments Ontario can make. It leads to expanded opportunities, more complete use of the diverse skills and intellectual resources of our people, and a higher level of educational achievement in this province.

Individual and Family Well-being

The Ontario Government is vitally interested in improving the well-being of every person and every family in this province. To this end, we are undertaking a substantial extension and strengthening of our health, housing and welfare programs in 1967-68.

In the coming year we propose to spend $430 million on these basic public services and to provide additional assistance of $59 million through loans and advances for a total of $489 million - an increase of 35 per cent over 1966-67. As well, we shall have at our disposal in 1967-68 a substantial increase in federal contributions for these purposes. In addition to capital financing for our housing activities through Central Mortgage and Housing Corporation, we shall receive an estimated $128 million through the Canada Assistance Plan, the Health Resources Fund, and other agreements. This additional federal money plus our own larger commitment will make possible significant improvements and an extensive broadening of our health, housing and welfare activities.

In the coming year, the Ontario Housing Corporation will greatly expand its program. It plans to accelerate its build-up of a stock of public housing units in order to reduce the backlog of public housing needs that presently exists. As well, this pioneering public agency will be developing residential accommodation for students attending our universities and other post-secondary institutions. As announced in the Speech from the Throne, the Ontario Housing Corporation is also embarking on a major new HOME program. The HOME program is designed to alleviate the present severe shortage of accommodation in many parts of the province and to bring home ownership within the reach of a substantially larger segment of our people.

To carry out this ambitious and comprehensive housing program, we have increased the Ontario Housing Corporation budget by nearly 63 per cent from $16 million in 1966-67 to $26 million in 1967-68. These amounts include the provision for the Ontario Student Housing Corporation. This level of spending will result in Central Mortgage and Housing Corporation providing more than $170 million in capital financing. Thus, the overall extent of our housing program for the coming year will be in the order of $200 million.

We are undertaking in the year ahead an unprecedented expansion and improvement in our health services and facilities. Accordingly, there is included n this budget some $311 million for health expenditures, an increase of 32 per cent over the current year's outlay. Mental health services receive particular emphasis in next year's program. An increase of $16 million is being provided in our mental health budget, bringing the total outlay on mental health to over $100 million. As announced in the Speech from the Throne, a new Mental Health Act will be introduced in the House for your consideration. We intend to establish eight regional diagnostic and treatment centres to care for and treat children with mental and emotional disorders. The proposed reception and diagnostic centre for children admitted to training schools from juvenile and family courts is another innovation.

The Ontario Medical Services Insurance Plan accounts for a considerable part of our health expenditure. This Plan has already had an impressive beginning and, for all practical purposes, it will be capable of achieving universality. As recommended in the Hall Report, we have taken steps to enlarge our health facilities, particularly the facilities for teaching and training doctors, dentists, nurses, and other essential health personnel. In the coming year, $30 million will be invested in university and hospital facilities for health sciences education and research. Of this amount, an estimated $7.5 million will be recovered from the federal government in the coming year through the Health Resources Fund. We have also doubled to $1 million the amount of bursary funds available to medical and dental students and other health personnel.

Support of our hospital insurance plan and of new hospital construction will also demand substantially higher expenditure in 1967-68. We are planning to add 2,400 new beds to our hospital supply in 1967, including 1,400 in suburban Toronto where the demand has continued to grow rapidly. To offset the rapidly rising cost of operating our Ontario Hospital Insurance Plan, we are providing for an increase of $40 million this coming year in our subsidization of the Plan. Our total contribution for this purpose, therefore, will be $90 million in 1967-68.

These and other measures involving substantially increased expenditure will ensure that Ontario remains a leader in the provision of health care for its citizens.

We have a new philosophy and a new approach to welfare in Ontario, as is evident by the proposed name for the Department-the Department of Social and Family Services. Our approach recognizes the importance of the family as the key institution in the operation of welfare services. The program also emphasizes the positive role of assessment, counselling and rehabilitation. A needs criterion will replace the various means tests for determining levels of assistance, and benefits will be substantially increased. To put this new and broader program of social and family services into effect, the Department anticipates recruiting 300 additional social workers and welfare personnel.

A broadened welfare program of this nature necessarily means higher expenditure. In 1967-68 we estimate our total spending on social and family services will amount to $208 million, of which $100 million will be recovered from the federal government through the Canada Assistance Plan and other agreements. This expenditure may be expected to yield substantial benefits in the years to come. Our families will have greater security against hardship, greater assistance to overcome problems and greater opportunity to achieve a better life.

Aid to the Farming Community

I now turn to another very important area of our provincial economy. I refer to our measures to assist farmers. It seems to me that it is difficult to over emphasize the important role played by the farming community in this province. Year in and year out, the farming sector has recorded the largest productivity gains in the entire economy. This rapidly rising agricultural productivity contributes materially to Ontario's overall economic growth.

In this budget, we have provided substantially higher aid to the farming community. In the first place, we have increased the net appropriation for the Department of Agriculture and Food by 24 per cent, bringing it to $40 million for next year. As previously announced, we also intend to establish a bursary scheme in veterinary medicine. Every veterinary student will receive a $500 bursary each semester or $1,000 each year, which will be forgiven if he remains in farm practice for an equivalent number of years after graduation. As well, our newly created Crop Insurance Commission will be in full operation in 1967. It intends to build up a complete umbrella of policies covering a broad range of major crops, including forages. Rates will be subsidized by Ontario and the federal government so that our farmers can protect their insurable crops at very reasonable costs.

A highlight of our plans for next year is the extension of our capital grants program to cover wells, drainage, and certain types of buildings. Over the next 12 years we will make available $129 million for these grants to farmers. From the province's point of view, these grants are really long-run investments. This stimulus to the continued and increasing use of modern technology will result in higher farm productivity in the years ahead.

Protection of the Individual and the Investment Climate

In the past year or two, a special set of problems relating to individual protection and investor confidence has emerged. The government has taken a number of actions to meet these problems.

In the coming fiscal year, the new Securities Act will be in force. The Ontario Securities Commission will be provided with additional resources to strengthen its supervision and inspection activities. To safeguard our people's savings, this House has approved legislation to complement the new federal deposit insurance program. Responsibility for such essential measures has been placed in the new Department of Financial and Commercial Affairs. For the Department's administrative purposes a budget of $2.6 million will be required. I am certain that these actions will engender a high degree of public confidence in our financial institutions. Our sound fiscal and development policies will continue to ensure that investment is attracted to this province.

We have taken other major initiatives in the general area of protection. In co-operation with the legal profession, we have established a comprehensive Legal Aid Plan which gives every person in Ontario, regardless of his means, access to legal counsel. Funds are being provided for this purpose next year. As well, we are setting up a Consumer Protection Bureau to look after the interests of consumers. A new Labour Standards Code, supported by more enforcement and inspection personnel, will provide better protection to our workers on their jobs. These plans are vital to the interests of every citizen of our province. In the coming year, we propose to spend a total of $59 million on protection of the individual and investment climate.

Development and Conservation Programs

Past budgets of the government indicate the importance that we have always attached to the task of developing the rich physical resources of this province. Hand in hand with development, of course, we have pursued vigorous and farseeing conservation measures. This budget continues in these traditions.

We plan to spend $485 million in the coming year to carry forward our development and conservation programs and to provide additional assistance through loans and advances of $73 million for a total of $558 million. This consists of the ordinary and capital outlays for the Departments of Highways, Mines, Lands and Forests, Energy and Resources Management and for the Ontario Water Resources Commission.

Good roads and modern highways are absolutely essential in today's world of fast-moving trade and commerce. Without them our resources would be immobilized and our productivity greatly diminished. To maintain and improve the fine roads system in this province, we are providing $406 million for next year - $282 million of which represents capital spending.

Among our numerous other development and conservation programs, several stand out in terms of increased emphasis next year. The capital budget of the Ontario Water Resources Commission will be more than doubled to $65 million to enable it to accelerate its programs in abating pollution, obtaining adequate supplies of water, and providing for sewage disposal systems. In this session, we also intend to take determined steps to combat air pollution. A new Air Pollution Control Act is being drafted to replace municipal regulation in this vital field. In 1967, development will be started on still more provincial parks and recreational facilities. The benefits from these kinds of policies will accrue to the people of Ontario not just next year but for many years in the future.

Aid to Local Authorities

Finally, I come to our programs and expenditures to assist municipalities. This is a matter of extreme importance to our government. We know that municipalities and school boards are hard pressed to finance their urgent responsibilities and vital needs. The impact of rapid economic growth is always felt first at the local level - in the demand for new schools, new roads and streets, new water and sewage facilities, and for a host of other needs. Consequently, the municipalities are looking to us for assistance.

We already provide such assistance through 13 different departments of government. In the current year, our total financial aid to municipalities is estimated to reach $796 million-an increase of 27 per cent over 1965-66. This means that fully 44 per cent of our revenues are being turned over to municipalities to help finance local services. This budget calls for another very large increase. We expect to provide $880 million to our local authorities in 1967-68 and $298 million in additional assistance through loans and advances for a total of $l,178 million.

As I have already mentioned, education grants alone will be increased by $60 million next year, to a total of $444 million. This will assist the municipalities and their ratepayers in offsetting the impact of rising education costs. Road subsidies, coupled with direct assistance, will increase to $165 million to keep pace with rising needs in the field of transportation. We are also stepping up the unconditional grant to municipalities by $1.50 per capita, involving additional expenditures in excess of $10 million. As well, municipalities will be helped by substantially higher subsidies for welfare purposes, and by the greatly expanded activities of the Ontario Water Resources Commission. A good number of other forms of aid to municipalities will also show increases in 1967-68. In the accompanying Budget Papers, the facts and figures on all these forms of aid are set out in greater detail.

Our Ontario Education Capital Aid Corporation is proving to be of great value to municipalities and school boards. The Corporation lends capital funds to the municipalities at 5.5 per cent. This is based on the rate at which it presently borrows from the Canada Pension Plan. This arrangement is convenient and it saves the municipalities substantial amounts in interest and underwriting costs. The savings to municipal taxpayers in interest charges alone on the $170 million borrowed this year from the Ontario Education Capital Aid Corporation will amount to $1.7 million in the first year and more than $24 million over the lifetime of the debentures. This saving is based on an estimated average cost of 6.5 per cent on municipal borrowing in 1966. In the tight conditions in the capital market last year, this new source of funds enabled many municipalities to obtain financing which otherwise might not have been available. During the coming year, we anticipate that this Corporation will purchase $150 million in municipal debentures.

We have always recognized the need of the municipalities; the evidence set out in this Budget Statement is a clear demonstration that we are striving to meet that need. We are presently awaiting the report of the Ontario Committee n Taxation in order to assess the future roles of the two levels of government. We are hopeful that this document will assist us to focus not only on financial need but also on matters of equity.

Summary of Expenditures For 1967-68

Having outlined these six broad themes of our program for the coming year, I shall now summarize the overall extent of our expenditures. I am forecasting total budgetary expenditures for 1967-68 at $2,193 million. This excludes provision for sinking funds of $43 million but includes $358 million of net capital disbursements on physical assets. The budget, therefore, is $361 million larger than the estimated expenditures for the current year.

This expenditure program is necessary to meet the social and economic objectives of this bustling province. We have consciously striven to direct our expenditures in a manner that will give the greatest effect to the productivity and growth of the economy. Given the approval of the members of this House, this program will serve Ontario well.

TAX CHANGES AND REVENUES

I am pleased to announce that there will be no new taxes and no increases in taxes for the coming year.

A year ago it appeared that we would have to raise our personal income tax this year by four points. However, the present delicate poise of the economy suggests an expansionary fiscal policy rather than one of contraction. Moreover, the burden of taxation on our people is already heavy. Governments cannot continue to take more without dulling incentive and undermining our ability to compete. Yet, they must continue to provide the essential public services and facilities on which our growth and advancement depend. This means that all governments must strive for the utmost efficiency and economy within their own operations. I can assure you that this is a continuing objective of the government.

Since there will be no tax increases in 1967-68, any revenue increases that we can anticipate, over and above the 4 + 1 fiscal transfer from the federal govern­ment, will depend on the growth in the economy itself. As I have already said, the outlook, for 1967 is good. Moreover, the programs which I have outlined arc designed to maintain a stable rate of growth and will make a positive contribution to this condition. Hence, I feel justified in basing my forecast on a continued high plane of economic activity.

I expect our total revenues to rise by 14 per cent in 1967-68 to reach $2,031 million. Revenues from personal income tax should rise by $142 million, as a result both of continued economic growth and the increase in our share of this tax field from 24 to 28 per cent. I expect the retail sales tax to yield $25 million more, corporation taxes $21 million more, and the gasoline tax an additional $15 million. Revenue from all other sources will add another $47 million, bringing our total revenue increase expected for next year to $250 million.

FORECAST OF FINANCIAL POSITION FOR 1967-68

I am now in a position to lay before you our overall budget position for next year.

Net ordinary expenditure (excluding provision for sinking fund) plus net capital disbursements on physical assets are expected to amount to $2,193 million. Against this we expect to take in $2,031 million in net ordinary revenues and net capital receipts. This means our expenditures will exceed our revenues by $162 million. Though larger than in some past years, I do not regard this as unreasonable in view of the immense program we are undertaking and the investments we are making in the future. Today, we have a number of requirements, particularly for social capital, pressing upon us as a result of a young and rapidly growing population. It seems both reasonable and equitable that part of the costs of this investment should be shared by our citizens of the future.

I would emphasize that we are going ahead with our expenditure plans despite the fact that we shall not receive any substantial net revenue gain from the federal government. Nor have we raised our own taxes. Yet, I am convinced that the increase in net debt, entailed in this budget, is not unmanageable. As I have suggested, that there is an increase at all is due to our very large investment in social capital-capital on which the future prosperity and progress of this province depends. Moreover, the burden of our debt is not increasing, just the reverse in fact. Our total net debt this year represents only 6.3 per cent of our Gross Provincial Product as against 6.7 per cent in 1958-59. In terms of revenue, the position is even more favourable. Today only ten months' revenue would be required to retire our debt. When my predecessor became Treasurer it would have taken 17 months.

CONCLUSION

Mr. Speaker, I have presented to this House the largest budget in the history of Ontario. It provides for unparalleled expenditures to meet the needs and aspirations of our people. It lays aside vast funds for investment in physical assets and for development of the human and natural resources of this province. It meets as far as possible the pressing needs of our municipalities. It does all these desirable things, moreover, without raising taxes, yet at the same time maintaining our sound financial position.

The budget carries on the sound financial management and sensible economic planning characteristic of this government. I was fortunate in this regard in taking over a Treasury which enjoyed a high credit standing and widespread public confidence in its securities.

The total impact of the budget on the economy will be expansionary. In the light of the economic conditions we face, this is an appropriate policy for next year. The measures I have proposed will reinforce our economy and ensure a high level of growth in 1967 and beyond.

Finally let me highlight the major features of the 1967 budget for the people of Ontario.

• Expenditures will rise by $361 million to a total of $2,193 million to produce an expansionary impact on the provincial economy.

• Spending on education and training programs will rise by 35 per cent to reach almost $1.1 billion.

• Health expenditures will increase by 32 per cent to a total of $311 million.

• Our total spending on social and family services will rise to $208 million, of which $100 million is recoverable from the federal government.

• The Ontario Housing Corporation budget will be expanded by nearly 63 per cent.

• Financial aid to local authorities will be raised substantially to reach a level of almost $1.2 billion.

• The first step of a 12-year $129 million program of capital grants to farmers will be undertaken through a $10 million outlay in 1967-68.

• There will be expanded programs and higher expenditure for development and conservation activities and for protection to individuals.

• A total of $358 million in capital funds will be invested in roads, schools, hospitals and other physical assets essential to Ontario's future progress and prosperity.

• There will be no new taxes and no tax increases.

SUMMARY

1. For 1966-67, the province's total net expenditures are estimated at $1,832 million and revenues at $1,781 million.

2. The province's net capital debt at March 31, 1967 is projected to be $1,429 million, only $49 million higher than at March 31, 1966. Today, only ten months' revenue would be required to retire this debt, compared to 17 months eight years ago.

3. Ontario's Gross Provincial Product increased by 9 per cent in 1966 to $22.8 billion. Employment in the province rose by 102,000 and unemployment was held down to a rate of 2.5 per cent of the labour force.

4. Gross Provincial Product is expected to rise by 7 per cent in 1967- 4 per cent in real terms and 3 per cent in prices.

5. Ontario recognizes that the federal government should have the main responsibility for short-run fiscal policy and recommends that Ottawa should adopt expansionary measures this year.

6. Ontario's budget is designed to promote long-run growth, to remove economic bottlenecks such as the shortage of housing, to improve productivity, and to bring into the mainstream of economic life those individuals and families who have been left behind by rapid changes in society.

7. The Ontario Government feels that the Tax Structure Committee discussions did little to assist Ontario's financial position. Ontario will continue to press for a redistribution of revenue sources after the reports of the Royal Com­mission on Taxation and our Ontario Committee on Taxation have been studied.

8. Spending on education and training programs will rise by 35 per cent to reach almost $1.1 billion.

9. Health expenditures will increase by 32 per cent to a total of $311 million.

10. Total spending on social and family services will jump to $208 million, of which $100 million is recoverable from the federal government.

11. The Ontario Housing Corporation budget will be expanded by nearly 63 per cent.

12. The first step of a 12-year $129 million program of capital grants to farmers will be undertaken through a $10 million outlay in 1967-68.

13. Funds are provided for new programs to protect the individual and the investment climate.

14. Total outlays of $558 million are provided for development and conservation programs.

15. Financial aid to local authorities will be raised subsrantially to reach a level of almost $1.2 billion.

16. A total of $35S million in capital funds will be invested in roads, schools, hospitals and other physical assets essential to Ontario's future progress and prosperity.

17. Total budgetary expenditures for 1967-68 arc forecast at $2,193 million, an increase of $361 million over the current year.

18. Total revenues are expected to rise by 14 per cent in 1967-68 to $2,031 million, an increase of $250 million.

19. In 1967-68, expenditures are expected to exceed revenues by $162 million.

20. There will be no new taxes and no tax increases.