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| ***Province*** | ***Législature*** | ***Session*** | ***Type de discours*** | ***Date du discours*** | ***Locuteur*** | ***Fonction du locuteur*** | ***Parti politique*** |
| Ontario | 29e | 2e | Discours du budget | 28 mars 1972 | Darcy McKeough | Treasurer and Minister of Economics | Progressive Conservative Party of Ontario |

Mr. Speaker:

The 1972 budget which I am presenting today reflects the confidence of this Government in the strength of our economy and the future of our province. It maintains the momentum of Ontario's actions to restore full employment. It seeks to foster maximum expansion in private sector activity and investment. It purposefully slashes the growth in provincial spending and re-orders our priorities to meet urgent social needs. It increases our financial aid to local government. It accelerates our program of tax reform by redistributing property tax burdens on the basis of ability to pay. It preserves responsible financing by raising taxes in selective areas. And it reinforces the new government organization which will lead to more efficient and better public services for our people.

I am confident that the positive fiscal program contained in this budget will commend itself to the Members and the people of Ontario. The substantial, but manageable, deficit which I am proposing will stimulate economic recovery. The rigorous restraint on spending will make room for expansion of private sector activity and curb inflationary forces as the economy moves back to full performance. The reform initiatives will contribute to stronger local governments and a fairer distribution of total tax burdens. This expansionary and progressive overall program stays within the limits of moderation and will help to bring about renewed prosperity and a better life for all Ontario citizens.

Mr. Speaker, as in previous years, my Budget Statement is supported by three important Budget Papers. Budget Paper A discusses the course and impact of the Ontario Government's fiscal policy in 1970 and 1971 and the economic outlook for 1972, as the bases for our fiscal policy in the coming year. Budget Paper B provides full details on the new property tax credit plan to be introduced in 1972. Budget Paper C contains the Government's financial statements, together with an explanation of the improvements we have made to contribute to a fuller understanding of our financial operations.

Federal-Provincial Relations

In my last Budget Statement, I reported at length on the unsatisfactory course of federal-provincial relations and on the detrimental impact of federal policies on the Ontario economy. In particular, I pointed out that restrictive federal economic policies were driving Ontario's economic growth far below its potential and creating high levels of unemployment, and that the federal tax reform proposals were impractical and unacceptable. Since that time I am gratified to say the situation has improved considerably. The federal government has adopted a positive and expansionary fiscal policy, has cut taxes, and has legislated a greatly modified and more acceptable tax reform bill. As a result, I have been able to construct the 1972 budget with greater confidence in the direction and impact of federal policies.

The past year has been one of intense activity in federal-provincial affairs. In the area of fiscal and financial relations, there were two conferences of First Ministers, three meetings of Ministers of Finance and numerous meetings of officials. Agreement was not reached on constitutional reform and the distribution of powers, nor on improved tax-sharing and a new deal on fiscal arrangements. Progress was made, however, on reform of the tax structure, and the new federal income tax legislation has now been accepted by all provinces. Let me recapitulate the Ontario Government's position on tax reform and fiscal, arrangements and outline to the House the approach this Government is taking to achieve basic reforms in these two key aspects of federal-provincial relations.

National Tax Reform

After years of study and debate, a new national income tax system has been legislated and is in operation, thus substantially completing the first stage of tax reform. I am pleased to report that the major contribution of the Ontario Government towards this end is partly reflected in the tax changes that have been enacted. Among the major improvements in the new tax legislation that we worked hard to secure are:

• reduced tax rates to ensure that reform will not result in revenue gains to governments;

• reinstatement of an effective tax incentive for Canadian small businesses;

• abandonment of complex and impractical provisions to integrate personal and corporate taxation; and

• introduction of a simple and competitive capital gains tax.

On the other hand, the new federal legislation falls short of our expectations and our equity and growth objectives in a number of respects. It is not comprehensive reform in that it fails to take into account total federal-provincial-municipal taxes. It ignores completely Canadian families who are too poor to pay income tax. It is generally too complicated for the ordinary taxpayer or small businessman to understand. Its international provisions are too harsh and threaten the desirable expansion of Canadian-based multi-national companies. On that matter, I am hopeful that the federal government recognizes the need to introduce amendments to ensure that Canada's tax law is in tune with international economic realities.

The Ontario Government has already enacted the personal income tax components of the new federal tax legislation. On the corporate side, however, we delayed implementation until our own studies were completed and until we were reasonably confident of the workability and adequacy of the new federal tax provisions. Our analysis confirms that the new federal legislation is cumbersome and intricate, but also that it contains a number of definite improvements over the old law. We recognize as well that Ontario corporations would prefer to operate under a system of uniform rules covering both the federal and Ontario taxes. The practical advantages to our corporations of a uniform federal and provincial system outweigh the disadvantages inherent in the new federal legislation.

Accordingly, the Ontario Government intends to parallel in its Corporations Tax Act the federal changes affecting corporations — retroactive to January 1, 1972 — with the exception of those provisions relating to mining and petroleum companies and to international income. The major changes in mining taxation legislated by the federal government will not take effect for a number of years. In the meantime, Ontario is developing a long-term policy on mining taxation along the lines I described in my 1971 budget. My colleague, the Minister of Revenue, will be bringing forward these major amendments to our corporations tax legislation in the near future. This complementary action by Ontario will complete the implementation of the first stage of national tax reform.

Second Stage of National Tax Reform

Reconstruction of the Canadian tax system must now move into a second stage. As the Carter Report made clear, income taxation constitutes only part of the total tax system, and the remaining parts are also in need of reform. Indirect taxes such as the federal and provincial sales taxes merit particular attention in this second stage of reform because they have a large bearing on individual tax burdens, on economic activity, and on government financing. Our system of capital cost allowances also requires thorough re-examination. In pursuing this second stage of tax reform, however, I believe that one consideration must remain paramount. Whatever changes in indirect taxes and depreciation allowances are made, they should aim to improve the competitiveness of Canadian firms, strengthen our manufacturing and industrial sectors, and promote greater participation by Canadians in our future economic growth.

The clear thrust of tax developments elsewhere in the world, particularly in the European Economic Community and in the United States, is towards liberalization and positive incentives to stimulate business expansion and exports. Canada cannot afford to lag behind. It is imperative, therefore, that this second round of tax reform be pursued within the context of international taxation with the aim of improving the competitive position of the Canadian economy. The Government of Ontario is prepared to co-operate fully with the federal government in developing new tax measures that will achieve this end. Among the options that could be considered are value added taxes similar to those used in Europe and a DISC incentive along the lines adopted by the United States. It is important that the pitfalls and tensions of the first round of tax reform be avoided during this second stage. In my view, many of the difficulties encountered in overhauling the income tax system, as well as the real shortcomings that remain, can be attributed directly to the unilateral approach to reform adopted by the federal government. Successful tax reform requires full consultation among all the principals involved. I should like to state now, therefore, that the Government of Ontario insists that the provinces be involved directly with the federal government in the development of further tax reform measures, and from the beginning of the process.

Federal-Provincial Fiscal Arrangements

At successive meetings of Finance Ministers over the past year, the Ontario Government joined with the federal government and the other provinces to renegotiate federal-provincial financial arrangements, including tax sharing, cost sharing and equalization. We approached these meetings in the hope that substantial reform of federal-provincial financing could be achieved. Certainly this Government is convinced that basic reforms are vitally necessary if the resources of all governments in Canada are to be utilized to provide the maximum in public services and programs, within realistic levels of taxation. Some progress was made, but I must again report to Members that the results of federal-provincial negotiations fell far short of Ontario's expectations and needs.

Earlier statements of the Ontario Government at federal-provincial conferences have been tabled in this Legislature. In line with this practice, therefore, I am tabling today Supplementary Papers on Federal-Provincial Finance, which contain the views presented by Ontario at the February meeting of Finance Ministers in Jasper, Alberta. Without repeating our arguments in detail, let me review briefly the Province's objectives and stance in these fiscal negotiations.

Tax Sharing

On tax sharing, the Ontario Government seeks a fundamental and overdue reform — a new deal which corrects the existing fiscal imbalance in our Canadian federal system and redistributes future revenue growth fairly and reasonably between the two levels of government. Without greater access to elastic tax resources, the provincial-municipal level of government will not be able to discharge its existing expenditure responsibilities, let alone make adequate provision for emerging public priorities. This fact has, once again, been documented in the last projections prepared by the Continuing Committee on Fiscal and Economic Matters.

The federal government has refused up to now to recognize these facts and the inequity of the existing situation. Instead it has counselled the provinces to raise their taxes independently. Ontario has consistently pointed out that such independent taxing provides no real solution to the underlying problem. The provinces and municipalities have already been forced to increase taxes regularly over the past five years to compensate for their inadequate tax capacity. This has driven total tax burdens to a very high level and has compounded the task of reforming the total tax structure. Further independent tax increases, particularly in the income tax field, would simply increase the already excessive level of total income taxation, and wipe out any lasting benefits of tax reform to taxpayers themselves.

To compound the problem, the new income tax system introduced by the federal government involves a steady erosion in provincial revenue yields over the next five years, and restricts the real ability of the provinces to use the income tax field in future. Under the new income tax system, the provincial share of revenue growth over time will be lower than under the old system; the provincial tax on dividends will decline absolutely; and the provinces will not share at all in the higher revenue elasticity of the reformed income tax structure. In short, once the federal guarantee has expired, the provinces will be forced to increase their income tax rates merely to regain the revenue potential and tax sharing position they formerly enjoyed. This is totally unacceptable to Ontario.

Accordingly, we have advanced in Jasper a two-part plan for reform of tax sharing over the next five years — a plan which is fair, realistic and well within the financial capacity of the federal government to accept. Only with such a solution to tax sharing can we hope to maintain a truly national income tax system in Canada, one which serves the needs of the provinces as well as the federal government.

Cost Sharing

On cost sharing, the Ontario Government is convinced of the need to assume full provincial responsibility for the established shared-cost programs in exchange for fiscal equivalence. As I said in my last budget, such a fundamental restructuring of current arrangements would produce many benefits, with no financial gain or loss to either level of government.

It would enhance accountability, flexibility and priority setting at both levels of government.

It would promote efficiency, eliminate anomalies and greatly simplify intergovernmental finance.

It would eliminate excessive administrative overhead and bureaucratic machinery at both levels of government.

It could be achieved for Ontario without disadvantage to any other province that chose to continue in shared-cost programs, as demonstrated by the case of Quebec.

These reasons are all summed up in the basic principle of public finance that the government responsible for spending should also be responsible for raising the necessary revenues. At the present time, Ontario receives some $1 billion in federal shared-cost contributions, involving 52 individual programs spread among 13 Ontario departments. Against this background of a multiplicity of joint programs and sharing formulas, as well as myriad interdepartmental connections between our two levels of government, there appears to be no other common sense solution.

We are encouraged that the Prime Minister of Canada, in response to Ontario's arguments, stated that the federal government has no objections to the principle of moving to full provincial responsibility and accountability in these spending areas. What must be agreed upon, then, is the appropriate fiscal equivalence, and a practical program-by program timetable for realizing this desirable reform. We intend to initiate bilateral discussions with the federal government as soon as possible to work out the details for assuming full responsibility for existing shared-cost programs.

Equalization

On equalization, let me reiterate the firm position of the Ontario Government. We agree fully with the continuation and expansion of equalization payments to provinces having an inadequate fiscal base. We support continued efforts to improve the equalization formula in order to make it as consistent and fair as possible. Moreover, we do not believe that any plan of guaranteed income transfers to people would adequately replace equalization transfers to governments as a means of ensuring a reasonable level of public services in all provinces. We are equally convinced, however, that the entire bundle of federal policies to reduce regional disparities and redistribute public resources in Canada has not produced concrete results commensurate with the resources committed.

Ontario has proposed, therefore, that all federal programs for regional redistribution — relocation grants, tax concessions, regional development subsidies, implicit equalization in cost sharing, selective expenditure policies and equalization payments per se — should be analyzed and discussed openly to determine their total costs and benefits. In this way, duplication could be eliminated, programs working at cross-purposes could be rationalized, and Canadian taxpayers would be assured that their money was being used effectively to achieve a better regional balance in our Canadian federation.

Provincial-Municipal Relations

In 1969 my predecessor, the Honourable Charles MacNaughton, tabled in the House the Ontario Government's white paper on provincial-municipal structure and tax reform. In my budget last year, I reported on the substantial progress we had made in implementing this plan. This budget contains major new initiatives in the provincial-municipal sphere.

The Government's reform program will proceed simultaneously on two fronts. First, we will continue our program of taxation and financial reform to reduce the property tax burden and distribute it more equitably among taxpayers. Second, we will establish new regional governments and make other structural changes to modernize our local governments and permit broader-scale planning and improve services. These balanced changes will move us much closer towards realization of the long-run goals that the Ontario Government set for itself in 1969.

Property Tax Credits

The Ontario Government will introduce this year a property tax credit plan which relates the property tax burden borne by each taxpayer in Ontario to his ability to pay, as determined under the personal income tax system. For three years Ontario has pressed the federal government to incorporate a credit against property taxes within the basic income tax system. Now, the federal government has agreed to administer this plan beginning with the 1972 taxation year, and the Ontario Government will finance it for the benefit of Ontario taxpayers. For this positive decision I sincerely thank the Minister of Finance. I would also like to commend the Department of National Revenue which worked closely with us to iron out the administrative and operational details of our property tax credit plan. This is an excellent example of how two levels of government can work together harmoniously.

Our property tax credit plan has one primary objective — to produce a fairer and more progressive distribution of the property tax burden borne by individuals and families in Ontario. It will replace the basic shelter grants that have been in effect since 1968 and deliver relief from the regressive property tax according to individual needs. The specific tax credit formula that will be incorporated in the 1972 income tax form is $90 plus 10 per cent of property tax paid minus 1 per cent of taxable income, up to a maximum credit of $250. Roomers, boarders and renters as well as homeowners will be eligible for the tax credit, but, unlike the basic shelter grants, tax relief will be confined to the principal residence only and to Ontario citizens only.

Ontario's tax credit will deliver substantially greater tax relief to low-income families and individuals and to pensioners and farmers. The position of middle-income taxpayers will remain more or less unchanged, and high-income taxpayers will face an increase in taxes of about $70. The total cost of the tax credit plan will be about $160 million in the first year, or modestly more, as compared to $158 million in property tax relief had we continued the basic shelter grant program in 1972.

I should like to point out that the Province's two additional programs of special tax relief — the supplementary grants of $50 to $100 for needy pensioners and the 25 per cent tax rebates to farmers — will continue unchanged in 1972. Once the tax credit plan has been in operation for a year, however, we hope to be in a position to replace these special programs by enriching and modifying the general property tax credit formula. We are also exploring the possibility of extending our tax credit approach to take account of other provincial taxes, such as the retail sales tax and health premiums. Eventually, this approach may also prove to be an effective vehicle for implementing a guaranteed income to the working poor and replacing the present jungle of welfare and income support programs. The complete details of the Ontario property tax credit plan for 1972 are set out and explained in Budget Paper B accompanying this Budget Statement.

Increased Support to Local Governments

Reform of provincial-municipal finance is again accorded a high priority in this budget. For 1972-73, we have allocated a further $75 million as increased provincial support to local governments in order to reduce the total weight of financing that falls upon the property tax. This increase in permanent provincial support to local governments consists of $47 million in grants to school boards, $16 million in unconditional grants to municipalities and $12 million in grants for urban transit systems.

The increase in education grants for 1972-73 represents the third step towards our target of 60 per cent provincial support. In 1970-71, the Province raised its support level from 47.9 per cent to 51.5 per cent, and in 1971-72 further increased it to 55.6 per cent. The additional $47 million we have provided for 1972-73 will serve to increase our support to an estimated 58 per cent. Indeed, I would hope that a higher percentage will be reached when the final figures are in for 1972-73.

The $12 million in grants for public transit systems will help to maintain the level of transit fares and reinforce municipal priority setting in favour of public transit systems. The $16 million increase in unconditional grants will improve the long-run financing position of our municipalities and also achieve a better distribution of our unconditional support among municipalities. The new unconditional grant will be based on a single progressive scale related solely to population as recommended by the Ontario Committee on Taxation. It will also reflect the 1971 Census of population and recognize the costs of providing police services. The full details of these changes will be provided when the requisite legislation is brought forward immediately following this budget.

At this point, I should like to stress the beneficial impact of Ontario's continuing reform program on municipal finance and property taxation. As I have said, our additional reform measures for 1972-73 will shift $75 million of the total financing burden from local governments to the Province. This is in addition to the permanent financial support to local governments that was provided by the reform measures in the four previous budgets, and the accumulating value over the years of these previous reforms. The costs of every 1 per cent increase in our education support, for example, rise from year to year as total school board spending increases. The costs of other reforms also increase in value in each succeeding year after being implemented. Thus, the total impact in 1972-73 of the Province's long-run reform program is measured by the cost of the reforms implemented in the past four years, the accumulating value of these previous reforms, and the $75 million in additional reform in this budget.

I can report to Members with some pride, therefore, that Ontario's total reform effort since 1968 has a value to local governments and taxpayers of $585 million in 1972-73, as shown in the accompanying table. Without this massive and permanent shift in financing from local governments to the Province, property taxes in 1972-73 would have been much higher and/or local services would have been greatly reduced. The Province is firmly committed to this long-run increase in financial support to local governments in order to minimize the pressure on the regressive property tax.

In addition to the value of our reforms, natural growth increased our basic grants to local governments by $431 million over the past five years — from $955 million in 1967 to an estimated $1,386 million in 1972. Thus Ontario's overall support to local governments in 1972 will amount to $1,386 million in basic grants plus $585 million in reform for a total of $1,971 million. This means that over 50 per cent of local government expenditures in the coming year will be financed by the Ontario Government.

Reform of Local Government

Rapid population growth in Ontario's urban areas is forcing governments to make difficult choices between the quality of our environment and our economic standard of living. A major goal of this Government, therefore, is to accommodate private economic development within the framework of our policies to improve the quality of life in urban and rural Ontario. The measures which this Government is taking to improve the effectiveness of local government organization in Ontario are designed to assist in the achievement of this goal. These measures are based on three main principles. First, there are simply too many municipalities. The reduction in the number of school boards in the province is a precedent for the kind of rationalization necessary to improve the quality of municipal services. Municipal governments — over 900 of them — cannot be expected to deal effectively with problems that are common to the residents of wider local areas. Second, there are far too many special purpose boards and commissions. They obscure the accountability of councils and impede comprehensive priority setting. Third, decisions made by separated cities or towns and counties affect the same geographic areas and the same people. This problem must be studied carefully to ensure the proper co-ordination of planning decisions.

In applying these principles, I also recognize that the Government of Ontario, by itself, cannot deal effectively with the complex problems of our society. Its partner must be local government, which has a close understanding of local issues.

In the year that I have been Treasurer, I have become more convinced than ever of the need to reform local government structure in Ontario. The purpose of our reform program is to create strong local governments with the capacity to provide effectively for their own needs, and to relate to neighbouring jurisdictions and the Ontario Government on a co-operative and progressive basis. Accordingly we are establishing restructured local governments in Sudbury and in Waterloo this year, and continuing our studies for other areas of the province.

This structural reform will enable these areas to develop and implement an effective planning program. It will even out substantially the disparities in the tax bases of the area municipalities within these regions. By pooling their resources, these restructured local governments will be better able to deliver the range of services demanded by our people today. Reform, however, is not being limited to local governments. The structure of the Ontario Government has recently been modernized.

The new Ministry of Treasury, Economics and Intergovernmental Affairs will integrate federal-provincial relations, provincial-municipal relations and regional planning with our general budgetary strategy and economic policy. This in turn should serve to reinforce our reform objectives at the local level.

Provincial and Municipal Land-Use Planning

The present fragmented system of so many decision-makers distorts local decisions and land-use policies, leading to competition for prestigious developments and assessment dollars at the expense of more rational planning and balanced priorities. It is essential that the Province and local government work together in the application of rational land-use policies. The new Ministry will formally link our regional development and local planning strategies, in areas such as the new community in North Pickering, the Niagara Escarpment and the Wasaga Park Community. The Government will be providing $500,000 a year for the next three years to assist municipal councils to adapt their official plans to the Province's overall strategy for the Toronto- Centred Region. In addition, we will make available provincial personnel to work with municipalities in this undertaking. This reshaping of local government structure and the increase in financial resources will make it possible to assist in the transformation of rural Ontario into urban Ontario in a way that produces the widest possible benefits to all our citizens.

Ontario's Economic Policy

Mr. Speaker, I turn now to the urgent matter of the economic situation and the measures introduced in this budget to deal with it. When I introduced the Government's revised fiscal plan for 1971-72 on December 13th, I said that our objective was the continuing expansion of the economy and a substantial improvement in the unemployment situation. This remains the overriding goal of our economic policy.

The Problems of Stabilization

One of the most striking lessons of economic stabilization efforts in Canada is that it takes several years to repair the damage caused by a recession and to return to full employment. We are now going through such a period of economic repair and reconstruction. However, the cost of past deflationary policies in terms of lost income and lost opportunities will never be fully recovered.

During the past two years there has been a great deal of public concern for improvement in the quality and management of economic policies in Canada. Therefore, I am pleased to note the change that has occurred in federal policies for economic stabilization, and I hope that we shall never again see a return to an economic philosophy of 'bringing the country to heel'. My view, which is shared by the Senate Committee on Growth, Employment and Price Stability, is that governments can achieve better policy co-ordination to improve economic management, and thus attain high levels of employment at acceptable rates of inflation.

It is not the view of this Government that there are sufficient jobs available if people would only go and look for them. Too many of our citizens have been denied the opportunity to realize their full personal and economic potential because of the lack of jobs and the inadequate rate of economic growth. A genuine full-employment policy must bring the economy back to a state of normalcy, so that the skills and talents of the population can be fully utilized.

Admittedly, the task of regaining full employment is not easy. We recognize that the federal government faces complex policy problems in this regard. However, I would like to repeat now the request Ontario has made at many intergovernmental meetings in the past for fuller consultation in the process of economic policy formulation. Joint policy co-ordination of this kind would produce a total public action to speed economic recovery. For my part, I am quite willing to make available to the federal government all the details of the Ontario Government's short and long-run economic policies. In the past, too little practical information has been exchanged between the federal and provincial governments in such critical matters as employment policies and long-run industrial development programs. I am hopeful that this situation will improve in the months ahead.

The State of the Economy

The economic picture has been improving over the course of the last year. The economy, however, is still performing considerably below its full potential. In 1971, Ontario's Gross Provincial Product reached $38.1 billion, an increase of about 9.0 per cent over the $35.0 billion recorded in 1970. The volume of goods and services produced grew by 5.3 per cent compared to 3.5 per cent in the previous year, while prices on the average were up by 3.4 per cent, which was a small but gratifying improvement over the 4.1 per cent increase registered in 1970. In 1972, I expect GPP to rise by 9.9 per cent to a level of $41 .9 billion. The gain in the volume of goods and services produced should be in the order of 6.3 per cent while prices are forecast to rise at last year's rate of 3.4 per cent.

I do not expect a quick end to the problem of unemployment. It seems likely to persist through this year and into 1973. To achieve our 3 per cent target we face the difficult and uphill task of absorbing over 70,000 of the persons currently unemployed and of providing new jobs for our rapidly growing labour force. Ontario's population in total is expanding by a little over 2 per cent a year, but our labour force is growing very much faster. In fact, at the beginning of this year, Ontario's labour force was over 5 per cent larger than a year ago, on a seasonally adjusted basis. This is an exceptional rate of growth, even for Ontario. It has significantly affected the progress of stabilization policy and prolonged the period necessary to achieve full employment.

The expansion of new jobs in the last half of 1971, however, was very encouraging. Employment, seasonally adjusted, rose by about 45,000 jobs a quarter, and has pulled ahead of the labour force growth since November. The final quarter of 1971 saw seasonally adjusted employment up 123,000 from last year, and in January and February of this year, the unadjusted data showed an average year-to-year gain of 137,000 jobs. The particularly sharp upswing at year-end and into the first part of 1972 was largely the result of provincial-municipal and federal employment programs, and the expansionary thrust of fiscal actions and monetary policy.

In October and November of last year, unemployment reached the uncomfortable level of 5.6 per cent, seasonally adjusted. Since that time, I am pleased to see that it has dropped steadily to its present seasonally adjusted level of 4.5 per cent. The experience of the past indicates that we should realistically expect month-to-month fluctuations around the basic employment trend. My expectation is that, for the remainder of 1972, economic growth will generate new jobs at a rate of about 30,000 a quarter, seasonally adjusted. Average employment in 1972, therefore, should be up by close to 120,000 from the average for last year. This is a very healthy rate of increase, but I am concerned at the same time by the sheer size of the problem that faces us if the labour force continues to grow at rates in excess of 3.5 per cent a year. Given these basic trends, I am forecasting unemployment in Ontario to average 4.8 per cent in 1972 compared to 5.2 per cent last year.

Ontario's Fiscal Strategy for 1972

In the budget today, I have designed what I believe to be an appropriate fiscal policy to promote growth and employment within the limits of our financial capacity. I am convinced that it is appropriate to keep Ontario's fiscal policy in an expansionary posture and to keep driving towards the 3 per cent unemployment target. Any unemployment figure in excess of 3 per cent is not acceptable to the Ontario Government. We know from experience that the Ontario economy can operate successfully at that level.

It seems clear that Canada is facing a very difficult period for several years ahead unless governments can achieve a correct balance between private and public sector expansion. It is not axiomatic that the only way out of an unemployment problem is through inflated public spending. The private sector is still the dominant part of our economy and I believe it now has to take up the considerable expansionary momentum we have provided and carry it forward. The economy needs a period of controlled fiscal thrust, combined with reasonable ease in credit conditions. This will make room for monetary policy to stimulate the job-creating expansion of consumption and business investment. The urgent need now, therefore, is to maintain the Province's fiscal policy on a steady course and to avoid, at all costs, precipitous actions that would force federal monetary policy into extreme positions and bring about a return to tight credit conditions.

New jobs require capital investment.

I would remind Members that every new permanent job in this province requires thousands of dollars of investment in machinery, equipment and construction. Members will recall that, when governments were hit with the tidal wave of the post-war baby boom, they were obliged to step up dramatically their capital investment in education facilities. Now these young people need jobs and housing. It is absolutely essential, therefore, that fiscal and monetary policies recognize this demographic and economic fact. Over the next several years, government policies should be geared to stimulate investment and consumption in the private sector. Only in this way can we create the jobs necessary to absorb the rapid expansion in our labour force.

In developing the Ontario Government's role in this optimum growth strategy, we have sought to accomplish two complementary objectives. First, we have sought to stay within prudent financial limits and to avoid fiscal actions that would jeopardize the Province's long-term budgetary control. Second, we are working to improve the internal efficiency of government in order to minimize its claim on the economic resources of the province.

The flexible fiscal strategy that the Government has followed in the past two years has involved the full use of our financial capacity. Members will appreciate that, in order to deal with the unemployment problem, our budgetary cycle was accelerated by some six months. The step-up in expenditure levels achieved in 1971-72 amounted to about half the growth in expenditures that otherwise would have occurred in 1972-73. Thus, in this budget, we are moving back to trend on the expenditure side, while maintaining an expansionary overall fiscal thrust.

Let me turn briefly now to the full-employment budget, which puts the total government operation on a national accounts basis and therefore provides the best measure of its economic impact. The full-employment deficit will increase from $165 million in calendar year 1971 to $182 million in calendar year 1972, largely because of the continuing economic thrust of last year's cuts in taxes, and the new spending plateau achieved by the special employment programs of 1971. This ensures the continuation of a dynamic economic thrust in our fiscal policy. I am also making available this year for the first time a national accounts version of the Government's budgetary operations.

A more detailed explanation of the relationships between the administrative, cash, national accounts and full-employment budgets is contained in Budget Paper A which accompanies this statement.

Expenditures

Let me turn now to the Government's expenditure program for 1972-73. We have budgeted for net general expenditures of $5,051 million in the coming year. This is an increase of only 4.5 per cent over last year's expenditures. It indicates the Government's firm determination to contain the expenditure growth of existing programs in order to permit the maintenance of a balanced fiscal and economic policy within the practical constraints of our financial capacity. Effective control of government spending requires more than the adoption of short-term efficiency measures. It also depends on the existence of a comprehensive system for the development and ordering of priorities, the allocation of resources on a cost-effectiveness basis, and the co-ordination of the component parts of government. Thus, Mr. Speaker, to begin the outline of expenditures for 1972-73, it is appropriate to direct our attention to the current re-organization of government.

Modernization of Government

If government is to maintain a long-run capacity to deploy its resources effectively and to respond to changing social needs, policies geared to achieve immediate efficiency must be in harmony with a continuing review of the basic effectiveness of the total organization. It is vitally important, therefore, that we develop a comprehensive response to meet the increased responsibilities and workload which society demands from modern government. Following the third interim report of the Cronyn Committee, the Government has introduced legislation to implement Ontario's new structure of government. The new system, which the Management Board is establishing for the Government, goes beyond re-organization and consolidation. It is resulting in a fundamental improvement in the basic processes of policy development, resource allocation and intergovernmental co-ordination, as well as a regrouping of functional and administrative responsibilities.

The creation of two senior Cabinet Committees — the Policy and Priorities Board and the Management Board — ensures overall policy and administrative co-ordination of all government activities. The creation of the three Cabinet policy portfolios in the fields of Justice, Resources Development and Social Development has provided a strong overall framework for co-ordinating new programs and recommending priorities. It has also improved the organizational basis for co-ordinating the administration of programs and achieving the most effective and least costly methods of meeting our broad economic and social objectives.

The Ministry of Treasury, Economics and Intergovernmental Affairs performs an integrating role in the new government structure. It combines into one Ministry most of the responsibilities of the departments of Municipal Affairs, and Treasury and Economics. In particular my Ministry is responsible for:

• fiscal and economic planning, federal-provincial and provincial-municipal financial relations and taxation policy;

• central finance management and accounting policy for the Government;

• co-ordination of policy development and the operation of programs as they relate to both the federal and local governments; and

• regional development, community planning and the strengthening of local government.

I am confident that we have created in our new Ministry a strengthened and integrated capacity for overall economic policy and budget planning, for the reform of provincial-municipal finance and planning, and for the achievement of our long-run objectives in federal-provincial relations. We will also continue to perform an important service and advisory function to the Cabinet and all ministries.

Economic progress today involves more than tax reform or good planning by one level of government. It involves the co-ordination and joint planning by both the federal and provincial governments in terms of long-range strategy. What is abundantly clear is that initiatives in one area of policy, affecting the economy, have implications for a number of other areas. For example, it is not possible to talk about changes in competition policy without considering implications for industrial strategy, nor is it possible to consider either without regard to an evolving position on foreign investment in Canada.

Accordingly, my Ministry will be giving priority attention to the overall aspects of economic policy, both within Ontario and on a federal-provincial basis. Policy positions are being developed on each of these subjects. We are also undertaking a careful review of broad environmental policy, policy bearing on the alternative uses of re-sources, the provincial role in matters such as energy policy, and the balance between primary, secondary and tertiary economic activities in the province. In particular, the question of growing concern about the balance between economic growth and environmental preservation will be a matter of special attention in the coming year and one which we believe should be treated jointly with our federal counterparts. The Select Committee on Economic and Cultural Nationalism has already provided some suggestions on foreign investment in its first report. In addition, my colleague, the Honourable Allan Lawrence, will be bringing forward recommendations for an Ontario position on the federal Competition Act.

The new Management Board is a particularly important operational part of our financial management system. The effectiveness of this body has already been dramatically demonstrated this year in the construction of our 1972-73 expenditure plan. In this regard I would like to pay particular tribute to the Chairman of the Management Board, the Honourable Charles MacNaughton, and to the other members of the Board. Through their untiring and successful efforts in launching the new system, they have produced a comprehensive expenditure plan within the context of the strictest constraints ever imposed on provincial spending.

Government Costs

Having outlined the broad structural reforms which will promote long-run cost control and efficiency, I want to draw your attention to some further measures which the Management Board is taking to reduce provincial government costs. To begin with, our policy of limiting the growth of the civil service has been highly successful. In 1971-72 complement increases were limited to a growth rate of about two per cent. The only significant change from the original plan was an increase of 327 positions under the Ontario Health Insurance Commission, which was a transfer of positions from private agents and involved no overall increase in expenditure.

The current consolidation of the old departments into a smaller number of new ministries will, in itself, yield administrative efficiencies and reduce pressure for staff increases. In addition, by developing the concept of a complement pool, the Management Board can place greater emphasis on the re-allocation of position vacancies among ministries, rather than simply within ministries. This, together with the highly effective teamwork between the Management Board staff and the interdepartmental task forces implementing the re-organization of Government, has resulted in a small net increase in the authorized size of the civil service for 1972-73. A total of 1,725 new positions have been approved of which 1,064 will be drawn from the central complement pool. As a result, the net increase in civil service jobs will be only 661 in 1972-73, an increase of less than one per cent.

The Management Board has allocated the largest portion of the new positions to the Ministry of Health for its psychiatric and retardation program. A total of 436 new positions have been approved which will result in a greatly needed improvement in staff-patient ratios. The remainder of the new positions have been distributed among the other ministries and programs, to relieve the pressure of workload increases being carried by present staff and to facilitate the introduction of some new and expanded services.

To further our objectives of cost control and program effectiveness, the Government will be considering additional reports from the Committee on Government Productivity relating to some of the major administrative systems within the provincial government. These will include studies and recommendations for increasing effectiveness in human resource utilization, communications and information, real property management and automatic data processing. Recommendations accepted by the Government will be implemented by the Management Board. In addition, the Management Board has intensified its scrutiny of expenditures with the objective of recommending to Cabinet the elimination of programs and grants which have outlived their usefulness. This year steps have been taken in this direction with, for example, the elimination of wolf bounties, and the discontinuation of rural hydro power bonuses and community centre grants to larger municipalities.

Composition of 1972-73 Expenditures

I shall now turn to the composition of our 1972-73 spending program. This year we plan to increase net general expenditure by $216 million which, I repeat, represents only a 4.5 per cent increase over 1971-72. Mr. Speaker, this will be the lowest percentage increase in spending for 19 years. The effectiveness of our policy of expenditure restraint is particularly evident in the direct operating expenditures of our own ministries and agencies. We have held increases in our direct provincial expenditures to only 2.7 per cent. In this way we have been able to devote the bulk of our total resources to increased transfer payments to school boards, municipalities and institutions. Transfer payments for operating expenses will be increased by $192 million or 6.1 per cent. As can be seen from the accompanying table, the only major expansion which has been permitted in this area, aside from the increase in general legislative grants, is in health and welfare programs. The increase of $137 million or 13.3 per cent is largely to cover our new program for nursing and home care benefits, and increased hospital operating costs. Capital expenditures will decrease primarily as a result of the phase-down in the vocational school capital grant program.

On the investment side, loans and advances will increase by $31 million or 5 per cent. The estimates for 1972-73 clearly indicate the changing nature of provincial investment priorities. Capital funds for the provision of education facilities have been reduced, now that the growth rate in school enrolments has levelled off and our network of community colleges has been substantially completed. This has freed capital resources for other priority areas such as pollution abatement and housing. This year capital loans for the construction of education facilities will decline by $53 million and the relative share of this sector will decline from 61 to 50 per cent of total loans and advances. In contrast, loans for housing and environment will increase by $29 million in 1972-73, raising the share of these two items to 30 per cent of all loans and advances. Detailed information on the composition of the total spending and investment program is displayed in Budget Paper C. Along with this budget, the Government's 1972-73 Estimates have been tabled, showing the complete program and activity details of our expenditures. The Estimates and the tables in Budget Paper C reflect the new ministerial structure resulting from our major re-organization. Comparative figures for previous years are also presented within the context of the new organizational structure. Mr. Speaker, this is an appropriate time for me to acknowledge the successful efforts of the staff of the Management Board, and their colleagues in the operating departments, for completing the difficult task of converting expenditure data to the new format in the short time available. Continuing with the expenditure side of the budget, I wish to describe the policy highlights of our employment programs and review some important dimensions in provincial spending.

Increasing Employment

Earlier I emphasized that the highest priority of this Government is to achieve full employment in Ontario. Our strong commitment to this goal, and our comprehensive program to achieve it, was extensively documented in my budget presented last December. As outlined at the time, this part of our expenditure program consists of three components: the Municipal Employment Incentive Program, the Ontario Seasonal Employment Program, and a program of accelerated capital works. These three programs require a total expenditure of $78 million of which $54 million will be spent in 1971-72. In 1972-73 the balance of $24 million will be primarily devoted to the continuation of the Municipal Employment Incentive Program and capital works acceleration.

The Members may recall that my December budget stressed the importance we attached to channelling funds through municipalities and other local bodies to capitalize on their ability to implement temporary employment projects. The Government's confidence was well founded. There has been a very strong local response to the Municipal Employment Incentive Program. The allocation of $35 million to this program has been fully subscribed and applications have been accepted for over 1,600 projects, from 975 municipalities, school boards and other local bodies. The 31,000 temporary jobs created by this program exceed our original estimate. This experience with winter employment programs in 1971-72, and in particular with the Municipal Employment Incentive Program, gives us a strong capacity to deal with a temporary high unemployment situation next winter, should the need arise.

As the Premier announced on March 10, the Government will again provide a large number of temporary summer positions offering students challenging and meaningful employment. This year we expect to hire 12,500 students in regular departmental programs and to expand the number of our highly successful special programs such as SWEEP and the Retardation Student Volunteer Program. The total program for the summer of 1972 will provide employment for 18,500 students at a cost of over $21 million.

Expenditure Highlights

I should now like to direct attention to some further highlights of our spending programs. Previously I referred to the fact that this year we have given a high spending priority to the field of health. The inclusion of nursing home care within our health insurance system and the improvement in staff-patient ratios in our psychiatric and retardation program constitute a significant forward step in the delivery of health services to the people of Ontario. Together these changes will cost approximately $56 million in 1972-73. These substantial improvements have been made in spite of the general reduction in health care premiums and the elimination of premiums for people aged 65 and over. Continuing in the area of social policy, in 1972-73 the Ministry of Health will proceed with the construction of a number of detoxification centres for the treatment of chronic alcoholics. The Ministry of Correctional Services will commence operation of the Oakville Reception Centre which will provide a highly advanced system for the guidance of juvenile offenders. This same Ministry will also undertake a new program for group homes to provide a needed family environment for young people.

Last year the Government established guidelines for school board expenditure in order to reduce spending increases and relieve the burden on local property taxes. At the same time, we further increased our general legislative grants to school boards. This two-part policy has proven successful. Costs have been controlled and the education mill rate has been reduced in many municipalities. Moreover, this has been achieved with positively no reduction in the quality of education in Ontario.

Since education will continue to consume a very large proportion of provincial-municipal financial resources, this Government intends to continue its efforts to keep school board spending to the minimum consistent with quality education. Accordingly, we have established school board spending ceilings again this year. These ceilings have been set for both 1972 and 1973 in order to provide the school boards with an improved basis for forward planning and the achievement of efficiencies. Also, as reported earlier, we have again substantially increased legislative grants to school boards. Along with this increased provincial financial support, our policy of spending guidelines will ensure the continuation in Ontario of the best possible education system with no increase in cost to local taxpayers.

There have been strong cost pressures in the area of post-secondary education over the past several years. At the same time tuition fees have remained substantially unchanged and in some post-secondary institutions no tuition has been charged. The Government believes it is inequitable for taxpayers to bear all of the cost increases in this area; rather, the students who benefit directly should bear a larger part of the costs of their post-secondary education. Therefore, having reviewed the tuition fee structure in all our post-secondary institutions, we recommended increases of about $100 for our universities and community colleges, and the introduction of tuition fees in our schools of nursing and in teachers' colleges. The revisions in our grant payments will be based on the following basic tuition structure in 1972-73:

• universities and teachers' colleges $585

• Ryerson Polytechnical Institute $350

• community colleges and schools of nursing $250

• agricultural schools and schools for nursing assistants $150

These changes will result in increased student financial participation in their own education of about $23 million, funds that would otherwise have to be raised through taxes. At the same time I would remind the Members that government financial assistance is available to students in need and that we have enriched our summer employment program.

Our spending estimates give increased attention to our social, physical and economic environment. In the field of transportation, municipal transit subsidies will be doubled to $12 million in 1972-73, GO Transit will be extended to Georgetown, and funds will be provided for two pilot projects in urban transportation. In the field of housing, advances to the Ontario Housing Corporation will be increased by $14 million to expand construction of public housing units and our support for OHC operations will increase by $10 million. We are continuing to emphasize employment stimulation in Ontario's slower-growth regions, and assistance to small business for export financing and the installation of pollution control equipment. Accordingly, funds allocated to the Ontario Development Corporation and the Northern Ontario Development Corporation have been set at $36 million, an increase of $22 million over the amount of loans made in 1971-72. Another important objective in the Government's environmental program is the expansion and improvement of recreational opportunities for the people of Ontario. During 1971-72, expenditures for land acquisition and development were increased from $10 million to $17 million. In 1972-73, this allocation will be further increased to $21 million, a 24 per cent increase over the 1971-72 level. These funds will be applied to the development and acquisition of recreational land in special areas such as the Niagara Escarpment, Wasaga Park and Bronte Creek Park, and for the continued expansion and development of provincial parks and Conservation Authority lands. In the area of pollution control, capital spending for water management will be increased to $55 million in 1972-73. Portions of these funds are earmarked for the Canada-Ontario agreement which provides for the construction of $250 million of municipal sewage disposal facilities on the lower Great Lakes. This program will significantly reduce the harmful effects of municipal effluent in Lake Erie and Lake Ontario on the Canadian side. For 1972-73, we estimate that almost $3 million in tax-expenditure grants will be paid to Ontario corporations to stimulate investment in pollution control equipment. The Ministry of the Environment will also undertake new programs in waste management, involving the collection of abandoned automobiles and the curtailment of litter.

Summary

In summary, Mr. Speaker, I would again emphasize the tight spending constraints which have been imposed on our ministries and agencies this year, and the success which the Management Board has achieved in limiting expenditures. Within this context, obviously, there was not much room for new or enriched programs involving large increases in expenditures. However, by means of highly selective priority determination and resource allocation, and through the achievement of efficiencies in existing programs, the Government is continuing to respond progressively to changing social and economic needs. Reflecting this approach, the expenditure plan for 1972-73 contains provision for new and expanded programs in the fields of health, correctional services, transportation, housing, environment, land acquisition and development, and, most important of all, employment.

Revenue Changes

The expenditure plan I have just described involves gross budgetary spending of $6,364 million. Of this amount the Government expects to receive almost $987 million from the federal government under the various shared-cost programs. Interest earnings on the Government's investments and advances to other public bodies such as Ontario Hydro, universities and school boards will be about $325 million. This leaves $5,051 million in net general expenditure to be financed from available revenue sources.

We anticipate that our existing revenue sources will generate $4,320 million, or only 3.3 per cent more than in the current fiscal year. In other words, the present outlook for budgetary revenue and expenditure would leave a budgetary deficit of $731 million, compared to $653 million in the current fiscal year. This deterioration would result in spite of virtually unprecedented expenditure restraint, with growth in expenditure only slightly in excess of the expected rate of inflation.

On the non-budgetary account, lending programs and repayments of loans will leave the Government with net cash requirements of over $420 million. In total, therefore, our budgetary and non-budgetary transactions would produce overall net cash requirements in excess of $1,151 million for 1972-73.

This budgetary deficit and the anticipated total cash requirements would exceed those of the sharply expansionary 1971-72 fiscal plan when total cash requirements amounted to $1.1 billion. The measure of total cash requirements is important because it reveals the extent to which Government programs require financial action in the form of borrowing and the use of liquid reserves. It sets the major boundaries and limitations to fiscal policy actions. As I have mentioned before, the Government considers it desirable to maintain an expansionary thrust. There are obvious limits, however, beyond which a provincial government cannot afford to go because of its limited revenue and borrowing capacity. Given these financial realities, I concluded that a cash deficiency of $1,151 million was beyond the limit of the Province's financial manoeuvrability for the coming fiscal year. Accordingly, the Government set itself a target budgetary deficit of about $600 million and overall cash requirements as close as possible to $1 billion. After the Government maximized restraint in its spending programs, I was obliged to look to our revenue sources to reach this objective. Given the target budgetary deficit, I decided to raise at least $130 million in additional revenue.

In considering options for additional revenue, I did not, of course, want to negate the beneficial economic and social effects of the tax and premium reductions already legislated. I believe this problem has been successfully avoided. This budget, therefore, contains increases in revenues from fees and licences of $40 million, from consumption of alcohol and tobacco of $50 million, from gasoline and motor vehicle fuel of $30 million, and from other tax changes of $14 million.

Fees and Licences

We have undertaken a complete review of the structure of fees and licences. Generally speaking, fees are supposed to be charges which bear a reasonable relationship to the administrative or operating costs associated with a service, a control function of government, or a benefit to the user of particular facilities. In our review, we have attempted to restore within reason this relationship. As the Members will recall, the Smith Committee recommended that motor vehicle revenue should meet a reasonable proportion of the costs associated with the automobile. This relationship was improved in 1968 when motor vehicle registration fees were increased substantially, along with increases in the gasoline and motor vehicle fuel taxes. Since then, however, the relative contribution from motor vehicles has steadily declined. As a result, the revenue from motor vehicles has become insufficient in relation to the total costs which they entail for the people of Ontario.

I am recommending modest increases of $3 to $5 for 1973 licence plates for passenger cars. The proposed new fees will be $23, $32, and $40 respectively for four, six and eight cylinder cars. Similarly, I propose that all other vehicle registration fees be increased by approximately ten per cent.

In addition, the Ministry of Transportation and Communications will increase a variety of less important licences and fees, in most cases as an overdue recognition of costs in relation to benefits. Among the latter will be higher tolls on our two Skyways, which even at double their present level will fall short of operating expenditure. Separate mention should also be made of the proposed increase in GO fares to reduce the operating deficit of our otherwise very successful GO transit system. The increased GO fares, valued at an additional $570,000, will be reflected in lower net expenditure. Altogether, the proposed increases for the Ministry of Transportation and Communications are estimated to increase our revenue by $31 million. The present $1 admission fee for Ontario Place and the Ontario Science Centre is unrealistically low in relation to operating costs. The new fee for Ontario Place has already been announced at $1.50, which will also be the new standard adult admission fee for the Ontario Science Centre. Various other fees and licences will be raised in such Ministries as Consumer and Commercial Relations, Labour, Agriculture and Food, Education, and Industry and Tourism. As well, there will be increases in fees for our provincial parks. Among these the daily campsite permits will be raised by $1.00 to $3.50 without and $4.00 with hydro. These increases will bring charges closer to the costs of providing the services to which they relate.

In total, higher fees and licences, except those which reduce net spending, will raise an estimated $40 million in additional revenue. My colleagues, whose ministries are involved, will provide all the necessary details in due course, including actual implementation dates.

Revenue from Alcohol and Tobacco

I also believe it appropriate to gain additional revenue from the consumption of alcoholic beverages and tobacco products. Alcoholic beverages and tobacco products already are a considerable source of revenue to the Government. I would point out, however, that these taxes are essentially avoidable. Moreover, with the exception of a minimal increase in the price of beer in Southern Ontario last year, taxation of alcoholic and tobacco products has not changed since 1969.

Effective April 17, people in Ontario will be paying higher prices for the consumption of beer, spirits and wine. The changes I propose can be summarized briefly as follows:

• the price of a case of 24 bottles of beer will be raised from $4.65 to $5.00 (net of deposit) with commensurate changes in the prices of smaller cases of beer and cans;

• the existing sales tax exemption for draught beer will be eliminated, regardless of the quantity in which it is sold or its price;

• spirits and wines will be subject to price increases ranging from about five to ten per cent; spirits will increase by an average of 25¢ to 30¢ for a 25 ounce bottle and wines will be increased by an average of 15¢ to 20¢ for a 26 ounce bottle.

The above changes will increase revenue from alcoholic beverages by an estimated $38 million in 1972-73. In spite of the increases, the Ontario prices of alcoholic beverages, notably beer, will continue to compare very favourably with those elsewhere in Canada. Turning to tobacco products, I propose to increase the tobacco tax effective at midnight this day. The tax on cigarettes will be raised by 1.2 cents for 20 cigarettes or 3/10 of one cent per five cigarettes. The last time the tobacco tax was increased in March, 1969, the increase applied only to cigarettes. I propose, therefore, to introduce higher adjustments to the taxation on tobacco and cigars. All increases will apply to tonight's inventories. The additional revenue expected from the higher tobacco tax amounts to about $12 million.

Gasoline and Motor Vehicle Fuel Taxes I propose to raise additional revenue from gasoline and motor vehicle fuel taxation. The changes in motor vehicle licence fees that I have announced still leave motor vehicles too lightly taxed in relation to the total costs they entail. Therefore, I am proposing a one cent per gallon increase in the gasoline tax, and a one cent per gallon increase in the motor vehicle fuel tax, effective midnight this day. With regard to the motor vehicle fuel tax, my colleague, the Minister of Revenue, will be tabling a new Act which will improve administration and enforcement of this tax and will include parallel provisions to those contained in the gasoline tax.

These changes in the gasoline and motor vehicle fuel taxes should yield an additional $30 million in 1972-73.

Other Tax Changes

The land transfer tax has been reviewed a number of times, and this year I have decided to revise the existing two-rate schedule for the first time in six years. The new schedule will be 3/10 of one per cent on the first $35,000 and 6/10 of one per cent on any transaction value above the first $35,000. This compares to the present 2/10 of one per cent on the first $25,000 and 4/10 of one per cent on the value in excess of $25,000. In raising the limit to which the lower rate applies, the effect on homeowners will be minimal. For instance, on a $35,000 home the increase in the land transfer tax will amount to only $15, while on expensive property transactions the transfer tax will rise considerably more. The revised schedule of rates should yield an additional $4 million in revenue.

We support federal government efforts to encourage the use of Ottawa airport for technical stops by trans-oceanic flights. Such flights, therefore, will no longer be subject to the Ontario aviation fuel tax as of April 1, 1972. I estimate the revenue loss to be negligible because of the limited number of such flights into Ontario at present. Both the Smith and White Committees considered the policy of remunerating vendors for the collection of taxes and concluded that such remuneration should be discontinued. A large number of jurisdictions have never provided for such remuneration or have discontinued doing so. The main consideration in favour of remuneration is the goodwill of the vendors, but apart from that, it is extremely difficult to devise a rational and equitable system of remuneration. Most jurisdictions look upon the cost of collecting taxes as a legitimate business expense. I have decided, therefore, to discontinue the system of remuneration in all tax fields where remuneration was provided for. At the same time, we have chosen this occasion to make an allowance for bad debts that may occur in connection with taxable transactions. This revised policy will apply to the retail sales, gasoline, tobacco, motor vehicle fuel, race tracks, and security transfer taxes. The removal of provision for remuneration, effective with regard to taxes collected after April 30, 1972, should result in additional revenue from these tax fields of about $10 million in 1972-73.

Changes in Tax Structure

Mr. Speaker, I would like to conclude this section on revenue changes by mentioning briefly a number of amendments to our tax statutes that will be brought forward in the coming months. First, as I have already indicated, we intend to introduce major revisions to our Corporations Tax Act to parallel the new federal income tax legislation, except for those provisions relating to mining, petroleum and international income, Second, minor changes in the paid-up capital tax will be introduced to ensure a more even application and to avoid the possibility of double taxation in particular instances. Third, I propose to abolish the logging tax. This move is fully warranted since the logging tax raises less than $2 million annually, yet involves substantial administration and has only an insignificant impact on companies because it is fully deductible from corporation income taxes otherwise payable. Fourth, the fire marshal's tax will be abolished and replaced by a small additional levy on the insurance premiums written on property falling into the new property class used by the industry. This new levy of one-half of one per cent is expected to raise the same revenue as the fire marshal's tax but will become part of corporation tax revenue. Full details of these tax structure changes, along with other minor amendments, will be outlined when the Minister of Revenue brings forward the requisite legislation.

Finally, I would like to make a few remarks about the introduction of the Province's new gift tax, related amendments to succession duty legislation, and our immediate plans with regard to the future of death taxation in Ontario.

On December 29, 1971, I announced the Government's intention to introduce gift tax legislation in the spring of 1972. This legislation is to be based on a model Act to be used by all interested provinces to facilitate administration and collection by the federal government. This legislation will be introduced by my colleague, the Minister of Revenue.

The basic principles of the Ontario gift tax remain the same as in the December 29 announcement. As I said then, there will be an extended meaning of "gift", and tax will be imposed in certain circumstances, but it is not intended to tax transactions involving transfer of property between members of the individual's family provided the value of the consideration received is, in substance, not less than that of the transferred property.

You will be asked to approve this new gift tax legislation as well as amendments to our Succession Duty Act to allow for appropriate credits for gift taxes paid. I also will be withdrawing the temporary provision in our succession duties, by which gifts made after December 31 , 1971 and within 15 years of the donor's death would be included in the value of an estate. With our new gift tax, effective January 1, 1972, we no longer require this provision to protect the revenue from succession duties and to have an equitable system of death taxation.

The 15-year clause will be replaced by the 5-year clause we had previously in our legislation. These changes will be effective as of January 1, 1972.

It might also be of interest to the Members to know that I have asked the Minister of Revenue to establish a special advisory committee to undertake a thorough examination of the existing Succession Duty Act. This committee will be chaired by Mr. J. Alex Langford, Q.C., who is a well-recognized authority on estate taxation in Canada. We will be asking this committee to advise the Government on a complete revision of the present Act. The committee's terms of reference will include an examination of the relationships between succession duties and the family farm, family businesses and the question of Canadian versus foreign control. The main objectives we seek in drawing up new legislation will be an equitable incidence, a minimum of adverse economic effects and greater simplicity. At the same time, the Government intends to continue its policy of gradually reducing the level of succession duties as the capital gains tax matures.

VI Financial Summary for 1972-73 and Conclusion

On balance, I believe the package of revenue changes I have proposed will be neutral in terms of equity, appropriate in terms of economic impact and positive in terms of provincial financing. The major impact will fall on those who smoke and drink and on the use of private automobiles. By securing a relatively greater contribution from these sources, our overall tax structure will be better balanced and our long-run revenue capacity will be improved.

In total, the revenue changes I have outlined are estimated to raise an additional $134 million in the coming year, bringing our net general revenue for 1972-73 to $4,454 million. As you will recall, I estimated our budgetary deficit before these changes at $731 million and our overall cash requirements at $1,151 million. The increased revenue will reduce our budgetary deficit to $597 million and our overall cash requirements to $1,017 million, meeting the deficit target the Government established for itself and maintaining an appropriate expansionary stimulus to the economy.

The total financing requirements for 1972-73 at $1,017 million will be lower than in the current year. Canada Pension Plan borrowings plus other internal sources of funds will generate $800 million leaving $217 million to be met by a combination of public debentures and the use of liquid reserves. This moderate level of financing will ensure that the Province keeps its finances in good order and maintains its high credit rating. At the same time, I am confident that the balanced and progressive fiscal plan the Government has drawn up will move Ontario towards full employment and greater prosperity.

In conclusion, Mr. Speaker, this is a constructive budget which provides for growth and advancement within the limits of prudent financing. It maintains the momentum of Ontario's expansionary policies to reduce unemployment. It re-establishes an appropriate balance between the costs incurred and the charges levied for particular government services. It accords a high priority to reform and relief for property taxpayers. It recognizes that spending must be contained and priorities re-ordered if we are to deliver the maximum in public services per tax dollar collected. Finally, Mr. Speaker, it is a purposeful declaration of the confidence of this Government in the inherent strength of our economy, the resourcefulness of our citizens and the bright future of this province of opportunity.