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| ***Province*** | ***Législature*** | ***Session*** | ***Type de discours*** | ***Date du discours*** | ***Locuteur*** | ***Fonction du locuteur*** | ***Parti politique*** |
| Ontario | 29e | 3e | Discours du budget | 12 avril 1973 | John White | Treasurer and Minister of Economics | Progressive Conservative Party of Ontario |

Mr. Speaker:

The easiest way for me to deal with this budget would have been to change nothing. The most popular approach to taxes in the short run would be to leave everything as it is. Quite frankly we could do this because our provincial resources have expanded as fast as our curtailed expenditures. But to do nothing about decreasing property taxes would be irresponsible and to do nothing to make the retail sales tax fairer would be cowardly. To do nothing to lower our public debt would be imprudent. I will therefore ask the Legislature to increase certain provincial taxes substantially, permitting offsetting decreases in property taxes and permitting significant increases in tax credits as this mechanism evolves towards a meaningful guaranteed annual income plan. The decrease in public debt will reaffirm my determination to keep Ontario's credit among the best in North America. The budget which I present today is idealistic and realistic. It portrays Ontario's confidence in the strength of our economy and in its capacity to generate job opportunities and increased incomes for our people. It builds on the success of past expansionary policies. It recognizes that Ontario must create a sound financial base for essential provincial and municipal services in the future. And it accepts the responsibility for raising provincial taxes in the present, as I have said, in order to lower property taxes and to make the retail sales tax system fairer. In constructing this 1973 Budget, the Ontario Government set itself the following objectives:

• to ensure that the economy continues to move towards full employment;

• to exercise maximum restraint in provincial spending while providing resources for priority programs;

• to give the highest priority to sharing provincial resources with local governments, and to ensure that property taxpayers derive maximum benefits;

• to redistribute tax burdens on the fairest possible basis;

• to encourage wise use of resources;

• to simplify certain taxes;

• to nurture small Canadian businesses;

• to preserve the family farm and decrease upward pressure on food costs;

• to decrease the public debt; and

• to decentralize government in Ontario.

Mr. Speaker, I am convinced that the taxation and reform policies in this budget meet these objectives in a way that is workable and responsible. Before proceeding to describe these measures, let me thank those public servants whose untiring efforts made this budget possible and whose dedication to the well-being of our people satisfies the highest standards of public service. Their undoubted talents, their tireless energy, their intellect and their compassion have made a deep impression on me in recent weeks.

Ontario's Fiscal Policy

I would like to comment on the Government's fiscal plan for 1973 in the context of:

• the state of the economy;

• Ontario's expansionary fiscal policy since 1970 and the considerable financial costs this policy has entailed; and

• federal-provincial fiscal policy co-ordination.

The State of the Economy

Mr. Speaker, in 1972 the Ontario economy continued to strengthen so that the Gross Provincial Product reached a level of $42 billion, an increase of 10.8 per cent over 1971 . In constant dollar terms, the increase was 5.7 per cent, compared with a gain of 5.3 per cent in 1971. As a result of this increased pace of economic activity, a record 140,000 new jobs were created in the province in 1972. This enviable increase in employment of 4.5 per cent was the largest achieved in more than 15 years. Despite the rapid growth of the labour force, the rate of unemployment declined to 4.8 per cent in 1972 from 5.2 per cent a year earlier. In Budget Statement January of this year, the seasonally adjusted rate of unemployment fell to 4.2 per cent, and in February it declined again to 4.1 per cent, the lowest level since April, 1970.

I am encouraged by the growth in employment in the province. Substantial numbers of new jobs were created in all sectors of the economy, with the exception of the construction industry. For example, 43,000 new jobs were created in manufacturing, another 43,000 in wholesale and retail trade and 45,000 in the service industry. I am confident that this improvement will continue in 1973, and estimate a rise of 1 1 per cent in Gross Provincial Product—about 6 per cent in real terms—and an average rate of unemployment of 4.4 per cent over the year as a whole.

We can have confidence that we are moving towards fuller employment. Let me repeat, however, the message of my predecessor who stated that any unemployment figure in excess of 3 per cent is unacceptable to this Government. Given the very rapid rate of growth of the labour force in Ontario, the provincial economy must realize an annual rate of real growth of at least 6 per cent to reach this target level of unemployment. We have achieved this kind of performance in the past, and we must do it again.

A strong private sector and a high level of investment is essential to rapid economic growth. In the current situation, with housing construction approaching capacity, the critically important element in the private sector is the level of business investment in plant and equipment anticipated for this year. The federal 1973 budget provides a modest boost to consumer spending but no overall net fiscal stimulus. This situation arises because the personal income tax cuts have simply offset the federal government's surplus revenue capacity and its revenue gains from tax reform. Consequently, we must rely on strong business investment and balanced growth of the private sector to create the jobs necessary for our fast growing labour force.

Ontario's Fiscal Plan

During the past three years the Ontario Government has made maximum use of its financial resources to stimulate the economy, and our fiscal policy has played an important role in restoring a high rate of job creation in the province. Budget Paper A shows that since 1970 Ontario's fiscal policy has been flexible, and its impact on the provincial economy has far exceeded that of the federal government in the national economy. As a result we have achieved a faster growth in employment and a greater improvement in unemployment than the country as a whole.

To illustrate the Government's fiscal plan for 1973, Mr. Speaker, I would like to turn to the Province's full-employment budget estimates. These estimates are calculated on a national accounts basis to measure most effectively the budget's economic impact. Given the expenditure program and tax reform measures I am proposing today, the full-employment budget would be in approximate balance in 1973 if the economy were operating at capacity levels of output. Such a balanced full-employment budget represents a neutral fiscal stance, which is realistic given Ontario's financial capacity. The Government has already fully used its financial resources in the current cyclical phase. Continued deficit financing on this scale would weaken our long-term ability to finance essential public services and municipal tax reforms.

Federal-Provincial Fiscal Policy Co-ordination

In his recent budget, the federal Minister of Finance stated that large provinces such as Ontario must be prepared to run substantial deficits to stimulate the economy. For the past three years, this Province has run large cash deficits in order to create new jobs and incomes.

Ontario's fiscal policy has substantially reinforced federal action in the national economy. As I said, the relative stabilization effort of this Government has surpassed that of the federal government. In fact, Mr. Speaker, in every year since 1970, Ontario's net cash requirements as a percentage of gross revenues have substantially exceeded those of the federal government. Thus, the Province has exerted a greater degree of fiscal influence in pursuing the goal of full employment. The cost of this provincial effort is reflected in rising per capita debt.

Consequently, the Government must seek a balance between the allocation of resources for stimulating the economy and for meeting long-term public needs. I think this budget achieves this goal. With the full-employment budget in approximate balance, our fiscal stance will be neutral in 1973. The lagged impact of our past policies will, of course, continue to stimulate the economy. Nevertheless, continued progress toward full employment depends primarily upon the policies of the federal government. I hope this message is clear. There is no way that Ontario can continue to carry an undue share of deficit financing.

Expenditure

I turn now to a review of the Government's expenditure program for the new fiscal year. May I repeat, Mr. Speaker, that a principal objective of this budget is a new revenue-sharing deal for Ontario municipalities.

In the next section of my Statement, I shall outline these measures in detail but first it is appropriate to review the overall provincial expenditure plan. I should explain to the Members that in this budget all expenditure figures are expressed for the first time on a gross basis, rather than on the net basis used in previous budgets. This improvement means that budget figures will now be on the same basis as the expenditure Estimates. A full explanation of this and other accounting changes is contained in Budget Paper C which accompanies this Statement.

In 1973-74 budgetary expenditure including transfers to municipalities will be $7,269 million, an increase of 1 1 .7 per cent over 1972-73. This is a greater increase than last year because of $182 million in new grants to the local governments, making this year's total grants $280 million more than last year's. If these transfers are excluded, the overall rise in provincial spending is less than 9 per cent. In short, our increase in spending will not exceed the 1 1 per cent rate at which the overall economy is growing.

Mr. Speaker, our expenditure plan for 1973-74 was developed within the framework of the new government structure to reflect three major priorities of the Government. First, our program will continue to provide a high level of public service while containing cost increases through increased program effectiveness and efficiency. Our second objective is to ensure that local governments have the financial capacity to perform effectively without inequitable increases in property tax burdens. Third, we seek to ensure a vital financial capacity within both a short and long run time horizon to meet changing public needs. This capacity must be attained by rigorous spending limitations and by enhanced efficiency.

Control of Spending

I would like to focus briefly on the containment of provincial spending. The point has been made in previous budget statements but it deserves to be emphasized once again. In order to maintain a capacity to establish new priorities and to meet public needs, government must restrain the growth of existing spending programs. The Ontario Government is very conscious of its responsibility to limit spending growth. It is clear from our record that we have been successful. We have initiated a number of major measures which apply to every Ministry and in particular to health and education programs. Additional measures are being planned which will be announced soon by the Minister of Health. The success of cost cutting which we have already undertaken is indicated in a number of ways. For example, the growth in expenditures of Ministries in the Social Policy Field, which accounts for 67 per cent of total budgetary spending, has been reduced from an annual growth rate of 14 per cent in 1971-72 to 8.9 per cent in the coming year. This has been achieved with no appreciable decrease in the quality of services provided under the auspices of any Ministry.

Mr. Speaker, it is interesting to compare Ontario's spending record with that of other provinces and the federal government. The accompanying table indicates that Ontario will have one of the lowest increases in budgetary expenditure in 1973-74. It is particularly interesting to compare our expenditure Estimates with those of the federal government, which is increasing its expenditures this year by more

Composition of Spending

Control of expenditures allows the Province to respond to changing public needs. One of the best indicators of the ability of the provincial budget to respond to new priorities is the proportion of provincial investment funds devoted to emerging programs. It is the investment account, represented by loans and advances, which should be most sensitive to new priorities and resultant expenditure policies. The accompanying table shows the relative portion of capital investment allocated to education, housing and environment. With the completion of the bulk of needed capital spending in the fields of primary, secondary and post-secondary education, the Government has been able to effect a shift in investment to the fields of housing and urban development and environmental protection. During a four year period, the amount of capital investment in education has declined from 60 to 25 per cent of total investment; investment in public housing and development has increased to take up the largest share at 41 per cent of the total and environmental protection investments have also increased.

As explained recently by the Chairman of the Management Board, the Estimates are being tabled separately this year on the basis of policy fields, and the responsible Ministers will provide a detailed description of expenditure plans when the Estimates are debated. Accordingly, I will confine my remarks to a brief overview of expenditures along with a few highlights before moving on to describe our new approach to provincial-municipal financing.

Budgetary expenditure including transfers will be increased by about $760 million or 1 1.7 per cent. The bulk of this increase, more than $500 million, will be devoted to increased transfer payments to individuals, local governments and other institutions in order to make our revenue and expenditure system more equitable. The increase caused by the Province's direct operating spending will be slightly more than $100 million which is 10.7 per cent. Increases in capital spending have been curtailed greatly because it is this area which can exert strong influence on future increases in operating spending. We plan, therefore, to limit the increase in capital spending to 3.9 per cent.

Mr. Speaker, some examples of increased expenditures provided for in our 1973 plan are:

• $36 million to the Ministry of Transportation and Communications for municipal transit subsidies, expansion of GO transit and development of new modes of public transportation;

• $66 million additional grants to universities and community colleges to modify the impact of decreased enrolments and increase student support. We have established a value of $1,825 for the basic income unit in 1973-74— up 3.4 per cent from the $1,765 value in 1972-73;

• $15 million additional operating funds for homes for the aged, children's aid societies, children's institutions and day nurseries;

• $35 million in capital loans to municipalities for winter employment capital projects;

• $24 million allocated for student employment, of which $8 million will be devoted to special summer employment programs;

• $39 million to the Ministry of Health to provide improved psychiatric and mental health programs, increase the number of nursing home beds and improve home-care programs.

In summary, Mr. Speaker, I would emphasize the success of the Policy Field Committees and Management Board in developing an effective and comprehensive expenditure program, sensitive to new social priorities, yet developed within strict spending guidelines.

Revenue Sharing with Municipalities

In his 1969 budget, the Hon. Charles MacNaughton presented the Ontario Government's blueprint for provincial-municipal tax reform. In the intervening years, his budgets, and those of the Hon. W. Darcy McKeough, each marked consistent and considerable progress in achieving our long-run objectives. During the period 1967 to 1972, the Ontario Government more than doubled its payments to local governments, agencies and property taxpayers from $955 million to $2 billion. This controlled the growth of property taxes and achieved a fairer distribution of property tax burdens among taxpayers. It is both an honour and a pleasure, therefore, to be able to increase our aid to local governments this year. In this budget, I shall propose a group of reforms costing over $180 million, which, together with the growth of existing forms of assistance, will bring our total payments to local governments, agencies and taxpayers to $2.4 billion. This represents an increase of more than $400 million in Provincial relief of property taxes between 1972 and 1973.

The Local Government Financial Outlook

In designing our policies for 1973, we have undertaken intensive studies of the financial outlook of local governments. These studies have confirmed again the chronic problem for local government of the low growth potential of the property tax. We estimate this growth for the whole province not to exceed 4 per cent. In contrast, local spending is expected to grow by 8 per cent. As a result, we estimated that local governments would have experienced a deficiency in current financing during 1973 of about $140 million, which would have required an increase in mill rates averaging almost 8 per cent.

The financial outlook for local government is further aggravated by the uneven financial pressures resulting from different demands for services and inequalities in tax capacities. There will be significant variations, therefore, around the anticipated 8 per cent mill rate increase in 1973.

Ontario's 1973 Reform Objectives

The Ontario Government has examined fully the implications of the local fiscal outlook. Consequently, we have decided that there is a need for imaginative and comprehensive reforms which will be of benefit to all property taxpayers. In designing a bold new approach to provincialmunicipal finance, we set ourselves a number of objectives:

• to make additional transfers to local governments in excess of the $140 million required to avoid an increase in the average mill rates;

• to distribute these new funds in a way which takes account of different needs and deficiencies in tax capacities;

• to reduce further the problem of tax exemptions for public property;

• to reduce the financial pressures experienced in areas with substantial temporary population, such as resort areas;

• to recognize the unique problems of local governments in Northern Ontario; and

• to recognize separately the financial problems of those local governments which have their own police force.

I suggest to the Members that the revenue-sharing plan in this Budget meets all of these objectives.

There is one final and important objective. The Government believes there is great scope for the consolidation and simplification of the existing conditional grants. However, we feel it is important that the deconditionalization of grants be discussed fully with local government representatives before making changes in this direction. It is my intention to continue discussions with the Provincial-Municipal Liaison Committee, so that progress can be made toward this objective in 1974. In an Appendix to this Statement, I have set out a list of conditional grants which will be considered for deconditionalization.

Consultation with Municipalities

In the past few months the Government has intensified its procedures for consultation with the municipalities. In addition to the regular monthly meetings of the Provincial-Municipal Liaison Committee, a great number of meetings have been held with individual municipalities and counties on a number of issues of general concern to these governments. As a result, a number of amendments to legislation will be introduced in the near future. Prominent among these are: greater freedom for county councils to determine their own representation; elimination of the requirement that the Minister approve municipal appointments to Joint Planning Boards; and enabling legislation giving municipalities control over the development of particular sites. These amendments are concrete examples of the Government's policy of enhancing the automony of municipalities and broadening the scope for decision making at the local level.

Comprehensive Assistance to Local Government

We have developed a comprehensive plan to attain our objectives. It contains a number of innovations which make it unique. We have called it the Property Tax Stabilization Plan. The main elements of this new reform plan and other forms of assistance are the following:

A Property Tax Stabilization Plan

• a new resource equalization grant;

• a special allowance for temporary population in the resource equalization grant;

• a new general support grant;

• an additional general support grant for all municipalities in Northern Ontario;

• higher grants towards policing costs; and

• the elimination of mining revenue payments which are less than the benefits under the new Plan.

Other Reforms and Additional Assistance

• provincial support of school board costs will be raised to 60 per cent;

• the education mill rate subsidy will be enriched;

• the local tax base will be broadened to include public institutions;

• payments-in-lieu of taxes on public lands will be extended and increased;

• library grants, museum grants and sewerage and water subsidies will be enriched;

• many general welfare assistance recipients will be transferred to the provincial family benefits program ; and

• the county road grants system will be simplified and enriched.

In total, the above Plan and enrichments in other assistance are estimated to deliver over $180 million in new financing to local governments. This is well in excess of the $140 million local government deficiency from existing tax levels in 1973. It can be expected, therefore, that municipalities which control their expenditures will be able to decrease property taxes this year.

Ontario's Property Tax

Stabilization Plan

By far the most important part of our 1973 reform program is embodied in the Property Tax Stabilization Plan. This five-part plan is designed to provide basic assistance to all municipalities. It contains special recognition of the problems associated with a low tax base and temporary population. It takes account of the unique costs incurred by Northern municipalities. And it incorporates incentives for economies in municipal spending so that savings will be encouraged and passed on to property taxpayers.

A New Resource Equalization Grant

This Government will introduce a Resource Equalization Grant, which closely follows the recommendation of the Select Committee on Taxation. The grant will enable municipalities with below-average taxable assessment to provide improved services without imposing severe burdens on their taxpayers. All municipalities with equalized assessment per capita below $10,000 will be eligible for this particular equalization grant.

A simple example will serve to illustrate clearly how this equalization grant will work. In a case where assessment per capita amounts to only $7,000, a municipality would have a $3,000 or 30 per cent deficiency relative to the $10,000 standard. The equalization grant to this municipality would amount to half of this 30 per cent deficiency times its 1972 municipal levy.

We have chosen a standard of $10,000 for equalization purposes, because it is slightly above the average of $9,700 in the province and makes a large number of municipalities eligible. We will pay these grants at half the deficiency percentage to keep the total cost of this new grant within the Province's financial capacity. The Resource Equalization Grant will contain two additional refinements. First, there will be an allowance for temporary population so that resort areas will have a more appropriate entitlement for equalization grants. Second, a maximum equalization grant rate has been established at 20 per cent of municipal levies to avoid unnecessarily high payments to a limited number of municipalities. The total cost of the new Resource Equalization Grant in 1973 is estimated at about $57 million. Some 748 Ontario municipalities will be eligible for this equalization grant. In other words, the benefits of this new grant will be widespread, affecting more than 63 per cent of the population and will have greatest impact where financial assistance is most needed.

Our new Resource Equalization Grant will strengthen the fiscal capacity of all less prosperous municipalities. It will introduce a greater degree of equity in local government financing than existed before.

Its impact will be sufficiently powerful to allow substantial tax reductions, notably in the resource-scarce communities. The equalization grant alone will prevent the mill rate increases that would otherwise occur in many municipalities.

A New General Support Grant The local government financial outlook also indicated that municipalities in general are facing financing pressures. Resource-rich as well as resource-poor municipalities are faced with potential mill rate increases. To correct the chronic imbalance in local financing, a new approach is required.

The problem of general financing pressures is closely related to local needs, but it is difficult to measure these needs. Therefore we chose municipal levies as an approximate, although admittedly imperfect, measure of local needs. On this basis we have developed a new General

Support Grant.

Starting in 1973, Ontario will pay all municipalities a General Support Grant of four per cent of their 1972 municipal levies. We are confident that this four per cent support of the levy, combined with natural growth in assessment, will relieve much of the pressure to increase property tax levels. This grant will be available on the same basis to both upper and lower-tier levels of local government. We estimate the total cost of the new General Support Grant at $41 million in 1973. Of this total, some $22 million will go to our Metropolitan, Regional and District governments and their constituent municipalities. The remainder will go to counties, cities, towns, townships and villages in Ontario.

An Incentive for Municipal Economy

The new Resource Equalization Grant and General Support Grant provide revenue sharing with municipalities of $100 million. It is this Government's position that the bulk of these new transfers should be of direct benefit to local taxpayers and not be dissipated on unnecessary spending increases. If the new Provincial transfers are to be of lasting benefit, local governments should exercise restraint and economy in their spending.

To encourage municipalities to be prudent, we have designed an incentive in conjunction with the new General Support Grant. As I said, the standard rate for this grant is four per cent of municipal levies. This grant could rise to six per cent, however, if a municipality contains its spending growth rate in 1973 to eight per cent or less. On the other hand, for municipalities that increase their 1973 spending by 12 per cent or more, the support rate will drop to two per cent instead of four per cent. In this way, municipalities can tailor their own budgets to secure maximum support grants from the Province and pass on these benefits to their taxpayers.

Mr. Speaker, the printed copies of this Statement contain a tableshowing how this incentive will work. In future, we will further refine this approach to our new transfer mechanism in light of our experience, keeping in mind Ontario's basic objectives of containing the total public sector and property tax levels.

A Special Grant for Northern Ontario

Mr. Speaker, I should like to spend a few moments now on the special position of Northern Ontario. The Government has recognized the unique costs that confront our municipalities in the North. These communities have to cope with problems related to severe winters, high transportation costs, unusual geographic features, and lack of certain services— all of which lead to higher costs of municipal services and a higher cost of living to Northern taxpayers. From time to time, we have taken certain steps to alleviate part of these problems and in the case of mining municipalities we have made available mining revenue payments.

In introducing a new revenue-sharing plan, we have recognized the additional needs of Northern Ontario. The Government has decided, therefore, to add to the General Support Grant for all municipalities in Northern Ontario. These municipalities will be eligible for an additional 10 per cent of their municipal levies over and above the four per cent general rate. We estimate the value of this extra support for Northern Ontario municipalities to be about $8.6 million in 1973. The maximum total new assistance in 1973 from the above programs for a municipality in the North would amount to 36 per cent of its 1972 municipal levy (i.e., 20 per cent from the Resource Equalization Grant, 14 per cent from the General Support Grant, and an extra 2 per cent for economy in spending).

For years, mining municipalities— most of which are in Northern Ontario—have enjoyed special recognition for the unusual financial position in which many of them found themselves by virtue of the presence of mining enterprises which could not be easily assessed. In 1971, the program of payments to designated mining municipalities was revised and increased by the introduction of a resource equalization formula. This formula was similar to the general Resource Equalization Grant introduced in this budget. Because of the increased grants to mining municipalities in the form of Resource Equalization and General Support Grants (including additional grants to Northern Ontario), mining revenue payments will be discontinued. Each mining municipality will be more than compensated for the elimination of those payments by the new Property Tax Stabilization Plan.

Grants Towards Policing Costs

To complete the Government's comprehensive plan for reduction of property taxes, I would like to describe the final feature of the Plan. As the Members know, not all municipalities incur the cost of policing in their communities. Where policing is provided, however, the costs put considerable pressure on local budgets. In recognition of this fact, the Government established an unconditional grant of $1.75 per capita last year. We now propose to raise this grant by $1.25 to a total of $3.00 per capita for eligible municipalities. The present grant of $3.25 for regional police forces will be raised by $1.75 to a total of $5.00 per capita. These increases will require additional grants from this Government of over $9 million in the current year.

It might be appropriate for me to stress at this point that we are urging and encouraging municipal governments to put the highest priority on restraint in their spending. The Government expects similar prudence from the boards and agencies which budget independently from local governments and yet are financed by local property taxpayers.

Summary of Property Tax Stabilization Plan

Let me review briefly now what I believe to be a well-balanced and new approach towards property tax reduction and stabilization. I have no illusions that this Plan will prevent mill rate increases everywhere in this province. But to the extent that some increases do occur, they will be significantly modified by our new revenue sharing.

I recognize that this Plan will have a major impact on the 1973 budgeting and financing processes of municipalities. This draws to attention the problems inherent in having different fiscal year ends at the provincial as compared with the municipal level. I should like to invite municipalities and affected institutions, therefore, to comment on the advisability and implications of changing the provincial fiscal year to a calendar year basis.

I think the main point to be made about the Government's comprehensive new plan is that it is balanced and takes account of a great variety of factors which have a bearing on rising property taxes.

• The Plan counters fiscal impairment by providing generous equilization payments.

• It recognizes the general financial imbalance with a general support grant.

• The Plan recognizes the higher costs borne by Northern municipalities and their taxpayers.

• It reduces the adverse impact of temporary population on resort municipalities.

• It meets the differential needs of communities that pay for their own policing.

• And, finally, it rewards economy in budgeting and efficiency in spending by both local and regional governments.

Our $100 million Property Tax Stabilization Plan makes available to municipalities almost three-quarters of their anticipated cash deficit in 1973. I am confident that the overall package will be fair and provide assistance where it is most needed. Other Reforms and Additional Assistance In addition to the $100 million for this major initiative, the Government plans to carry forward its ongoing reform program and increase assistance to local governments.

Assistance to School Boards

As the Members will recall, the past few years have brought significant changes to the Provincial support of school boards. Prior to 1970, our support amounted to less than 48 percent. We have since raised it in three steps to a level of 58 per cent. During the same period, we have introduced spending controls and ceilings to avoid excessive demands on the taxpayers at a time of easing enrolment pressures. The Government has announced that it will increase Provincial grants to 60 per cent of school board spending in 1973. This concludes our staged increase in support level and fulfills our original pledge to reach this high level by 1973. This major measure will be combined with an enrichment of the mill rate subsidy. The net cost to the Government of this move will be approximately $40 million in the present fiscal year.

Broadening the Local Tax Base

This year the Government is taking another step in the implementation of its policy of bringing provincially owned or supported property into the local tax base. The approach taken for payment of local taxes by universities and community colleges has proven successful and will be expanded and extended to correctional institutions and hospitals. The following reforms will provide municipalities with an additional $7.8 million in tax revenue in 1973.

• The payment per student for post-secondary institutions will be increased to $50.

• A new payment will be made of $50 per public and provincial psychiatric hospital bed.

• A new payment will be introduced of $50 per resident place in correctional institutions.

• There will be a limit of 25 per cent of the net general levy on the amount a municipality can receive from these extensions of the tax base.

• These extensions of the tax base will be for municipal purposes only.

Payments-in-lieu of Taxes

In recent years, the Government has acquired a great deal of land and will continue to do so for the preservation and development of accessible recreational areas. In a number of municipalities, this policy involves a significant transfer of land into provincial ownership with a corresponding reduction in the local tax base. Therefore, the Government intends to broaden its payments-in-lieu of taxes to cover such land acquisitions.

Assessment and Taxation of Land on Indian Reserves

The Government is offering to provide funds in 1973 to compensate municipalities for the elimination of taxes on tenant-occupied Indian Lands. After extensive study of the law and practice of taxation of leased property on Indian Reserves and of its social and financial implications, the Government believes that this property should be removed from taxation and the Estimates will include this expenditure intention.

Meetings will be organized for the near future with representatives of the Indian Bands and municipalities to discuss how the transition from the taxation to the exemption of property leased to non-Indians can be best achieved. I expect that some Indian Bands and municipalities will want to make agreements for the supply of municipal services on Reserves in return for reasonable payment. Others will want to proceed independently. These practical matters will be resolved in consultation with the people directly concerned in each case.

Other Forms of Assistance

The Government will also make available substantial additional funds to our municipalities in a variety of existing programs. Some of these have already been announced by my colleagues responsible for these programs. Full details on others will be provided during the

Estimates debates.

Let me enumerate these other major changes being proposed by the Government:

• Library Grants— Various aspects of these grants will be enriched, involving additional grants of about $4.5 million in 1973-74.

• Transit Assistance—The Province will make grants of 75 per cent on approved spending on transit vehicles and related facilities at a cost of about $13 million in 1973-74. An increase in the maximum subsidy for transit deficits will cost an additional $2 million in 1973-74.

• Computer Traffic Control—The Province has set aside $2.5 million in 1973-74 for assistance towards the cost of traffic signal systems, installation of computer traffic control systems, and municipal studies on intermediate capacity systems and corridors.

• New Regional Governments—The Sudbury and Waterloo regional governments will become eligible for $3.2 million in unconditional grants. In addition, they will receive $2.7 million in transitional assistance.

• Welfare Costs—The Province will assume about $2.4 million in welfare costs formerly borne by municipalities, through a transfer of certain general welfare assistance recipients to the Province's Family Benefits program.

• Water and Sewerage— Eligible municipalities will receive an increase from 50 per cent to 75 per cent in capital subsidies on sewerage and water projects.

• Museum Grants— Museum grants will be doubled in 1973-74.

In total, these Provincial commitments will transfer more than $30 million in additional funds to local governments.

Summary of 1973 Provincial-Municipal

Reform and Assistance

Mr. Speaker, I would now like to summarize the total Provincial program of new reforms and additional assistance to local governments.

As detailed below, the 1973 reform plan involves additional financing of over $180 million to local governments. This reform plan represents an increased emphasis on unconditional transfers to local government. Moreover, existing per capita unconditional grants will be continued at past rates of funding. These additional transfers far exceed the 1973 financing deficiency of local governments. As a result, I expect that there will be reductions in mill rates in most municipalities. The distribution of our 1973 reform will, of course, provide much greater benefits to some municipalities compared to others. There will be a whole range of mill rate effects with many substantial reductions as well as a limited number of increases. This is as it should be. We have made certain that the greater relief goes where it is most needed.

I would like to put in historical perspective for the Members the magnitude of the Province's efforts to improve local financing. Our financial transfers to local governments have mounted steadily since the provincial-municipal reform program was started in 1969. In 1973, the Government will transfer $1.9 billion to local governments or 48.5 per cent of their total revenue. This compares with $1.3 billion or 41.5 per cent of local revenue in 1970. In addition to this direct assistance to local governments and $260 million to local agencies, the Province will pay $200 million directly to property taxpayers in 1973 in the form of property tax credits and farm tax relief grants. In total then, the Province has assumed some $2.4 billion which would otherwise fall on the property tax. This represents more than 90 per cent of the total yield in 1973-74 of our retail sales and personal income taxes— which are

Ontario's two most important taxes. The $180 million in new financing provided in this budget passes on to local governments more than the equivalent value of one point of our retail sales tax.

Tax Measures

Mr. Speaker, let me now describe the ways by which the Government proposes to finance its 1973 spending program, the new Property Tax Stabilization Plan and other reforms. As I have already stated, this budget embodies the fiscal constraints and expenditure imperatives which we must accommodate. Accordingly, the Government has decided to raise certain provincial taxes to decrease property taxes and to improve the incidence of the retail sales tax.

In deciding tax changes for 1973-74, I have considered a number of factors:

• the state of the economy and the appropriate fiscal stance for the Province;

• our long-term financial outlook and reduced revenue growth potential in future;

• the existing level of public debt;

• the need for new revenue sharing with municipalities; and

• simplification of the tax structure.

With these considerations in mind, I concluded that our budgetary deficit must be reduced in 1973-74 to a level of about $400 million. Expenditure, including the municipal reform plan I have just outlined, requires gross budgetary spending of $7,269 million in 1973-74. Our existing tax rates and base can be expected to generate $6,534 million in revenue. This would leave a budgetary deficit of $735 million, which is more than is prudent at this time. Accordingly, I am proposing tax measures to raise about $330 million in additional revenue at the Provincial level during the 1973-74 fiscal year.

A tax increase of this magnitude means we must look to our major revenue sources—personal income tax, retail sales tax and corporation taxes. I have rejected an increase in the personal income tax for two reasons. First, the federal Minister of Finance explicitly asked the provinces not to increase their use of this tax field in 1973. Now that the federal government has turned back to taxpayers some of the revenues from its surplus income tax capacity and its gains from tax reform, I am reluctant to deny these tax savings to our citizens.

The second and equally important reason, however, is that the February 19 federal budget proposes major structural changes in this tax field— less than two years after the income tax system was thought to be reformed. The latest federal proposals would not only lock the provinces into a decreased progressivity pattern in personal income taxation but also reduce the long-run growth capacity of the income tax field. I am convinced, therefore, that an increase in our income tax rate would be unwise before the implications of these changes are fully understood. A federal-provincial meeting of Finance Ministers is scheduled for early May, at which time Ontario intends to pursue these considerations.

I have also decided not to recommend an increase in corporation income tax. To raise a significant portion of the new revenues required would necessitate an increase in the corporate tax rate which would make Ontario uncompetitive with other jurisdictions. Moreover, the expiration on March 31, 1973 of our 5 per cent investment tax credit means that the income tax liability of many Ontario corporations will automatically be somewhat higher in 1973-74. Finally, I am convinced that we must avoid placing greatly increased tax burdens on our businesses at a time when a high level of investment is needed to improve our international competitiveness and create new jobs. Nevertheless, I am proposing to raise some additional revenue from the corporate sector in the form of the paid-up capital tax. Having exhausted this potential, I must rely upon the retail sales tax to produce the remainder of our revenue requirements. Let me proceed, therefore, to enumerate the tax measures which I am proposing.

Taxes on Corporations

I have decided that the most appropriate way to secure additional revenues from corporations is to increase the paid-up capital tax, particularly as this can be accompanied by structural reforms in this tax. Accordingly, I am proposing the following changes in the paid-up capital tax, effective with respect to the fiscal years of corporations ending after April 12, 1973.

• The rate of general capital tax will be doubled, from 1/10 of 1% to 1/5 of 1%.

• The capital tax base will be broadened to include all bank loans.

• The archaic special taxes on railway, express, telegraph, and pullman car corporations will be repealed. Instead, these corporations will be liable to the general capital tax imposed on ordinary corporations.

• The capital tax on banks will be streamlined by:

—redefining the capital tax base to include only that portion of capital used within Ontario;

 —repealing the office tax on banks; and

—imposing a single rate of 2/5 of 1% on all taxable capital of banks, compared to 1\5 of 1% on paid-up capital stock and 1/10 of 1% on the reserve funds.

In addition to increasing revenue these measures will eliminate inconsistencies in treatment of different corporations and simplify the tax application. I estimate that these changes will generate an additional $33 million gross revenue in a full year, and $10 million in the 1973-74 fiscal year. I would also point out that the final burden of these tax increases will be somewhat less, since the capital tax is allowed as a deduction under the federal and provincial corporation income taxes.

I also propose to raise additional revenues from corporations that pay management fees, rents, royalties and similar payments to foreign owners with whom they do not deal at arms length. An amendment to Ontario's Corporations Tax Act will be introduced to achieve this necessary tightening-up which I estimate will produce an additional $5 million in revenue per year.

A number of minor improvements will also be introduced in our Corporations Tax Act and Income Tax Act covering mutual fund corporations, mutual fund trusts, and fraternal societies. These changes will generally parallel federal legislation and will have minimal revenue significance.

Retail Sales Tax

The principal tax source which I have selected to raise additional revenues is the retail sales tax. As shown in Budget Paper B accompanying this Statement, the retail sales tax has a number of positive advantages over other revenue sources. It is an economically responsive tax and automatically generates revenue increments at a faster rate than the annual growth in the economy. A substantial component of the sales tax is highly progressive in that high-income taxpayers tend to consume a relatively large share of those items taxed at the 10 per cent rate. In addition, the exemptions for food, children's clothing and prescription drugs protect low-income families from the main burden of the tax.

Finally, the Ontario Committee on Taxation recommended that greater use be made of this tax field when the Province was seeking to augment its basic financial position.

To meet Ontario's need for substantially increased revenues, I propose to increase the retail sales tax rate from 5 per cent to 7 per cent, effective May 1, 1973. While I recognize that this represents a large increase, I would remind Members that all provinces east of Ontario have an equally high or higher sales tax rate. I estimate that this move will produce an additional $280 million in sales tax revenues in 1973-74 and some $340 million in a full fiscal year. I would also emphasize again that our new revenue-sharing deal for municipalities means that more than half of this increased sales tax revenue will be passed through to local governments. Moreover, I am proposing a substantial enrichment in Ontario's tax credit system—which I shall outline later— to ensure that the burden of this tax increase will fall on our more prosperous taxpayers. Members will recall a sales tax credit was recommended by the Select Committee on Taxation, "... with the object of improving the equity and efficiency of the provincial sales tax." Concurrent with the increase in the sales tax rate I am proposing a number of changes in the retail sales tax base to improve its equity and efficiency of administration. Having carefully considered the retail sales tax recommendation of the Royal Commission on Book Publishing,

I have decided not to tax magazines and periodicals for the reasons set forth in the Report of The Select Committee on Taxation. While I recognize the constructive nature and good intent of the Royal Commission's recommendation, I continue to be opposed philosophically to taxing the flow of information and knowledge to our citizens.

Meals: First, I am recommending an increase from $2.50 to $4.00 in the exemption for meals served in restaurants. This recognizes that the costs of eating out have risen since 1969 when the $2.50 level was established. The new $4.00 level will improve the equity of the sales tax because it means that breakfast, luncheons and many dinners will now be exempt from tax. It also means that Ontario's exemption will be more generous than the $1.25 to $2.50 levels allowed in most other provinces.

Flowers and Gardening: I am pleased to recommend that all seeds, bulbs, natural flowers, trees, bushes and shrubs be exempted from the sales tax. In the past we have tried to differentiate among these growing things, taxing some and exempting others. I am convinced that the Province can afford the $4 million loss in revenues by exempting all such forms of vegetation, if only because of the beauty they add to our environment. In particular, those citizens who enjoy gardening will appreciate this modest concession to one of the pleasant aspects of our daily lives.

Household Pets: For similar reasons, I propose to eliminate the retail sales tax on the purchase of household pets. Personally, I find it abhorrent to put a tax on these loveable creatures which become, in effect, members of our families.

Special Occasion Permits: At present, when alcoholic beverages are resold under a special occasion permit, the 10 per cent retail sales tax must be collected from the consumer. This has proven expensive to administer and difficult to enforce. Therefore, I propose to repeal the sales tax liability under special occasion permits and replace it with a special levy to be collected in the liquor, wine and brewers retail stores at the time of purchase. This practical change will decrease the tax burden on those organizations, clubs and groups which have properly collected and remitted sales tax in the past, while ensuring a revenue contribution from those who failed to collect and remit the sales tax in the past. I estimate that this change to a more practical system will produce some $3 million in extra revenue annually.

Taxation of Energy

Even after the increase in retail sales tax, I found it necessary to secure additional revenues to meet the target deficit. Accordingly, I am proposing to apply the retail sales tax to all forms of energy which are presently untaxed in Ontario. This would be a 7 per cent value tax, to be collected primarily under the Retail Sales Tax Act. Because gasoline, diesel fuel, propane and some other energy fuels are already taxed on a unit basis, however, it will be necessary to integrate these existing forms of energy taxation within a comprehensive system.

Allow me to illustrate for you how we propose to do this in practice.

• Gasoline, liquid petroleum gases, diesel fuel, furnace oil, kerosene, natural or manufactured gas, coal, coke and electricity used for heating, lighting, cooking and similar purposes will be taxed at 7 per cent of the retail selling price (or 20 per gallon in the case of gasoline).

• When these fuels or forms of energy are used directly in manufacturing they will not be subject to tax. This means that the electricity used to operate production machinery will not be taxed while the electricity used for lighting will be taxed. It also means that energy sources which are used in basic production processes— such as natural gas—will be exempt.

• Gasoline, liquid petroleum gases and diesel fuel when used in motor vehicles, road construction equipment, pleasure boats and snowmobiles will continue to be taxed at 190 per gallon and 250 per gallon respectively.

• Gasoline and diesel fuel operating internal combustion engines used for purposes other than licensed vehicles or manufacturing will be subject to a 7 per cent tax on selling price (or 20 per gallon in the case of gasoline). This means that activities such as farming, fishing, tourist camps and railways— formerly receiving full or partial rebates— will now bear a standardized, low effective tax rate. Because this represents a new approach to energy taxation in Ontario, I propose to delay the effective date of implementing this policy to July 1, 1973. The expected net revenue yield, therefore, is estimated at only $65 million in 1973-74 as compared to $100 million in a full fiscal year. Let me point out some of the positive benefits of this new tax policy, apart from generating increased revenues. First, diesel fuel used in mining and manufacturing and forestry will now bear no tax as compared to the present 80 tax. This represents a substantial tax cut which will lower costs to all users, particularly in Northern Ontario communities largely dependent on this energy source. Second, the taxation of all energy sources used for the same purpose eliminates the bias in favour of formerly untaxed energy sources. Third, by taxing energy, there will be an incentive to prevent waste and to achieve the most efficient utilization of this vital resource. I think it is not too much to hope that pollution will also be diminished somewhat. Finally, let me emphasize again that I am proposing to enrich Ontario's tax credit system. The additional tax credit I am proposing will more than offset the additional costs of heating and lighting on the average residence resulting from this taxation of energy.

Enriched Tax Credits

Members will recall that, in the 1972 budget, Ontario established a new property tax credit plan which relates property taxes to ability to pay via the personal income tax mechanism. Subsequently, Manitoba and Alberta introduced similar schemes to channel tax relief to those individuals and families least able to pay. Ontario taxpayers are now filing their 1972 income tax returns and getting the benefits of this progressive program. We have co-operated closely with the Department of National Revenue to iron out initial difficulties, and have found that the tax credit system is working remarkably smoothly. I expect that $160 million or more in property tax credits will be provided to Ontario taxpayers, either in the form of tax refunds or reduced income tax liability in this year.

Sales Tax Credit

Given this good performance, I am proposing to enrich the benefits distributed through the tax credit mechanism. To ensure that the burden of the tax on energy and the increased sales tax does not fall on our low-income families, I am recommending the introduction of a retail sales tax credit which would provide $90 million of offsetting tax relief. While the mechanics of such a sales tax credit must be arranged with the federal government, I favour a simple tax credit formula equal to 1 per cent of personal exemptions. Based on the 1973 level of exemptions, this would provide a tax credit benefit of $16 to single taxpayers, $30 to a married couple, $36 to a family of four, $48 to a family with six children and so on. By comparison, the 7 per cent tax on energy would amount to $28 per year per household on average, estimating total expenses on home heating and lighting to be $400 per year. Where families choose to economize on heating and lighting costs however, they will be money ahead as a result of this move.

The total value of the retail sales tax credit is estimated to amount to approximately $90 million per year compared to total tax increases of $50 million from energy used for residential heating and lighting. Thus the new sales tax credit will offset the energy tax and the increased sales tax burden on half or more of our families. Budget Paper B illustrates the progressive result of the sales tax credit and the existing property tax credit.

Pensioner Tax Credit

When Ontario's new tax credit system was introduced in last year's budget, my predecessor indicated that the Province would like to substitute tax credits for our supplementary grants to needy pensioners.

At present we are paying some $20 million—in the form of $50 and $100 grants— to pensioners in receipt of the federal Guaranteed Income Supplement. Now that the basic tax credit plan has been in operation for a year, I think it is appropriate to make this change. Accordingly, I am recommending a pensioner tax credit of $100 on a sliding scale related to taxable income to taxfilers who are 65 years of age or over. This pensioner tax credit will have a value of $40 million annually, which is $20 million more than our existing grants to needy pensioners which will be ended. Altogether then, the new tax credits I am proposing will enrich Ontario's tax redistribution plan by $130 million to a total value of $290 million for the 1973 income tax year.

The total tax credit payable under Ontario's enriched plan will be the sum of the property tax credit, sales tax credit and pensioner tax credit less one per cent of taxable income. This ensures a distribution of benefits among Ontario taxpayers on the fairest possible basis. I am confident that this will make our total tax burden more equitable for our people.

Removal of Selected Taxes

Mr. Speaker, I have outlined the tax measures the Government has decided to recommend to strengthen Ontario's basic financial capacity and to ensure a fairer distribution of the total tax burden. Now, let me turn to a number of tax changes which I am proposing for other reasons.

Security Transfer Tax—The Ontario Committee on Taxation regarded the Security Transfer Tax as a "nuisance tax and that it has no relation to benefits received." It said the tax was "not simple, clear or certain" and it proposed the substitution of a retail sales tax on the commissions charged by security dealers and brokers. The Select Committee of the Legislature endorsed this recommendation, subject to implementation of similar taxes in Quebec and British Columbia. The Select Committee recognized that it is impossible to impose either form of tax in Ontario without losing business, unless similar taxes are imposed on all Canadian stock exchanges. Quebec abolished its transfer tax a year ago and there is no similar tax in British Columbia, so Ontario is now alone in taxing security transfers. A significant loss of trading is evident as a consequence. Statistics show that Toronto's share of the market has fallen to 70.4 per cent in the first quarter of 1973 from 71.3 per cent in the corresponding period last year. A further decline is indicated for March when the share dropped to 69.3 per cent. Even more significant, the value of trading on the Toronto Stock Exchange grew by only 8.7 per cent in the first quarter of 1973 over the first quarter of 1972. By contrast, trading on the Montreal exchanges rose by 35 per cent. To the extent that this shift in trading is likely to continue as a result of this tax differential, the Security Transfer Tax is self defeating as a revenue raising instrument. More important, retention of this impost by Ontario would result in a loss of related private sector income and jobs, with consequent reductions in our other revenues such as personal and corporate income taxes. Therefore, I propose to repeal the Security Transfer Tax, effective immediately, to ensure that Ontario retains its position as the major capital market in Canada. The anticipated gross loss in revenues from this source this year is $7 million. Perhaps it is not too much to hope that the removal of this impost will have a positive influence on the acquisition of equity ownership by Canadians.

Highway Tolls and Park Fees— Fees, licences and permits of various kinds are an important element in Ontario's total revenue structure. Following a complete review of these fees in 1972, many were increased to more properly reflect the actual operating costs of the associated service, function or benefit to users. Further review this year has indicated two areas where a change is desirable— tolls on the Burlington Bay and Garden City Skyways and provincial park fees. I propose to eliminate the tolls on the Burlington Bay and Garden City Skyways, effective July 1. These tolls have proven to be costly and troublesome. They are not in accord with the Government's overall policy of toll-free highways and bridges. This removal should speed up traffic and eliminate irritation to commuters, tourists and truck drivers. I also propose to eliminate camping and day fees in our provincial parks for all Canadian senior citizens, effective tomorrow. This will ensure that our senior citizens can enjoy the serenity of Ontario's public recreation areas at no cost. My colleagues responsible for the Ministries of Transportation and Communications and Natural Resources will provide full details in their Estimates.

Succession Duty Reductions

As you know, Mr. Speaker, it has been the policy of the Ontario Government to withdraw gradually from the Succession Duty field of taxation as capital gains taxation matures. In the 1970 and 1971 budgets we introduced tax changes which eliminated Succession Duties on all but the largest estates. As a result, our revenue yield has declined from $81 million in 1970-71 to an estimated $70 million in 1973-74. During the same period, revenues accruing to the Province from the federal estate tax have gone from $28 million to $2 million for this year. In this budget, I am proposing measures to continue this policy of phased decreases in Succession Duties. I think this approach is warranted for two reasons. First, our succession duties continue to have an undesirable impact on small businesses, family farms and Canadian ownership. Second, other provinces are vacating this field. In recent months both New Brunswick and Prince Edward Island have announced their intention to eliminate Succession Duties. Quebec has also announced staged reductions in its Succession Duties—a 20 per cent cut effective January 1, 1973 and a further 20 per cent cut effective January 1, 1974.

Last year the Government appointed an Advisory Committee on Succession Duties under the chairmanship of Mr. J. Alex Langford, Q.C. This Committee just completed its report, which has been tabled in the Legislature. On behalf of the Government, I wish to take this opportunity to thank the members of the Committee for their efforts and accomplishment. In the months ahead we intend to review and assess the Committee's recommendations with the view to making improvements in our statute. In the meantime, Mr. Speaker, the Government intends to proceed with immediate changes in three priority areas— interspousal transfers, family farms and family firms. Let me outline briefly the substance of these changes and the principles upon which they are based. Full details are set out in the Appendix to this Statement dealing with tax changes.

• I propose to eliminate all duty on transfer of assets between spouses. I feel strongly that the accumulation of assets by a couple over their lifetime is a joint effort and that it is unreasonable, upon the death of one partner, to impose a tax on the surviving spouse.

• I also propose to relieve the burden of Succession Duties on bona fide family farms by permitting a disappearing amortization or gradual forgiveness of duty on farm assets over a 25-year period, provided that the farm continues to operate as a family farm. Family farms make an important contribution to the social and economic fabric of this province. Relief from death taxation will help to preserve family farms and their attendant green space as well as ensure continuation of their unique contribution to our society.

• In conjunction with these changes in Succession Duties, the Government also intends to make provision for a once-in-alifetime gift of an interest in a family farm by a farmer to his children of up to $50,000 free of gift tax.

• I intend to introduce amendments to alleviate the burden of duty on family firms. The Government considers it imperative that Canadian ownership be encouraged, particularly in family firms which have been created by Canadians. Therefore, I am proposing a choice of alternatives— six years to pay or payment in shares to the Ontario Heritage Foundation. This latter provision is similar to the practice in the United Kingdom where it appears to have worked well. If an election is made to pay in shares, the Government will accept shares in the firm at fair market value, thereby eliminating the need to sell controlling interest in the company in order to satisfy Succession Duty obligations. It is my belief, Mr. Speaker, that these new measures will help retain family firms within the control of Canadians. This package of succession duty reforms comes into effect after midnight tonight. I estimate the total revenue cost of these necessary and practical reforms to be about $11 million in the 1973-74 fiscal year.

Reduction in Farm Property Taxes

In addition to the relief from gift tax and Succession Duties on family farms the Government has decided to reduce the property taxes borne by farmers. At present, we provide $20 million in grants, offsetting 25 per cent of the total property taxes paid by farmers, or about half of the property taxes applicable to farm lands. This year we are increasing our tax relief grant to 50 per cent of the total property tax burden. This is equivalent to complete exemption from property taxation for all farm land. Concurrent with this additional farm tax relief, the Province intends to tighten the administration of this program to ensure that the benefits go to genuine farmers. Consequently, the increased funding we have provided in the 1973 Estimates amounts to $16 million. This will help Ontario farmers to hold down production costs at a time when food prices are rising rapidly.

Future Policy on Taxation of Resource Industries

Let me conclude this section on tax measures by mentioning briefly the province's policy with respect to taxation of resource industries. This area of taxation has been subject to extensive federal changes in Bill C-259, as well as more recent changes by a number of provinces. Ontario is devoting considerable time to researching this complex area in order to develop its own long-term strategy. In the meantime, we have introduced some minor changes to parallel improvements made in the new federal legislation.

Other federal changes involve major policy considerations and a complete assessment of their potential impact on Ontario mining and petroleum companies. Moreover, these federal changes do not begin to take effect until January 1, 1974. Accordingly, I wish to reiterate that Ontario will bring forward its long-term policy on resource taxation, as well as the necessary amendments to The Corporations Tax Act before the end of 1973. In designing our policy we continue to aim for the objectives set out in the 1971 budget:

• maintain the total tax burden on the mining industry approximately at its present level;

• preserve provincial revenues and revenue growth capacity from the mining industry as a whole;

• provide incentives to encourage new investments in mining and processing in Ontario; and

• compensate for tax shifts which would endanger existing small companies and dependent mining communities.

We are concerned also about the future of our pulp and paper industry. We intend to assess our tax impact on this industry as well as other considerations in determining what provincial assistance might be required and practical.

Summary of Tax Measures

In aggregate, the tax measures I have proposed will generate an estimated $333 million in additional revenues in 1973-74. Of this amount, Ontario is passing on $182 million, or more than the value of one point of our retail sales tax, to local governments. This will greatly strengthen the financial base of Ontario municipalities and create a more balanced and progressive overall revenue structure in this province. In addition, $130 million will be dedicated to retail sales tax and pensioner credits which improve the fairness of the tax system.

Financial Position for 1973-74 and Conclusion

The revenue changes I have described will maintain cash requirements at $836 million, almost the same level as in 1972-73. Our budgetary deficit will be reduced to $402 million, which I believe to be appropriate for the coming year. Moreover, this improvement in the Province's financial position has been achieved at the same time that we have embarked on a bold plan of revenue sharing with local governments. As a result the total provincial-municipal sector in Ontario will now be in a sound financial position to meet public needs and emerging priorities.

Total cash requirements of $836 million in 1973-74 are consistent with our decision to adopt a neutral fiscal stance in the economy. It also demonstrates the Government's determination to protect the Province's high credit rating in the capital markets. I point out that this estimate of cash requirements includes $144 million for the North Pickering Community Development project. We have provided this full amount in our Estimates but our net costs could be substantially lower if a satisfactory agreement for CMHC participation can be reached. Final cash requirements for 1973-74, therefore, could be $692 million.

I estimate that our non-public financing will amount to $915 million in the current year. This exceeds our cash requirements by $79 million. It is my intention to use these funds and any unutilized portion of the $144 million North Pickering Suspense Account to reduce the Province's outstanding public debt. In other words, Ontario's public debt will be reduced by between $100 and $200 million in 1973-74.

In conclusion, Mr. Speaker, I ask the Legislature to share my belief that this is a workable and responsible budget which charts a clear course of action for the year ahead. It applies stringent restraints on provincial spending.

It accords the highest priority to sharing resources with local governments.

It redistributes the burden of taxation to make it fairer.

It nurtures our rural sector.

It encourages wise use of resources.

It assists Canadian entrepreneurs.

It raises revenues to keep the Province in a sound financial position.

And it maintains Ontario's reputation for fiscal integrity.

Mr. Speaker, this concludes my Budget Statement and copies with the Budget Papers will now be distributed. Thank you.