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| Ontario | 32e | 3e | Discours sur le budget | 10 mai 1983 | Frank Miller | Treasurer and Minister of Economics | Progressive Conservative Party of Ontario |

Mr. Speaker, before I begin the formal presentation of my 1983 budget this afternoon, I would like to review with the House some events of the past five or six days which relate to the budget preparation.

I know members are aware that some aspects are part of investigations relating to pending civil or criminal proceedings. All of these are outside my ministerial responsibility and are not proper for me to discuss or comment on here.

As I reported to the House on Friday, I was made aware on Thursday afternoon, May 5, that some attempts were made to breach security in Don Mills where the budget was to be produced by a commercial printing firm, under contract to maintain security with assistance from the Ontario Provincial Police. Later Thursday afternoon, two reporters from the Globe and Mail, Robert Stephens and Rosemary Speirs, came to my office in the Frost Building and showed me some printed material which they alleged formed part of the budget which I will be presenting to you shortly.

Copies of this material and stories based on it were published in Friday's Globe and Mail. The paper reported that the material was found in garbage bags which, the Globe said, a reporter took from a loading dock at Carswell's plant on Wednesday, May 4. Some members have noted that the early editions of the paper carried a picture of the dock to illustrate the source.

Following the discussion of this matter in the House on Friday morning, a lawyer representing the Globe and Mail delivered two bags of garbage from Carswell Printing Co. to the criminal law office of the Ministry of the Attorney General. My deputy minister subsequently received a letter from Richard J. Doyle, editor of the Globe and Mail, which indicates that all the material taken from the printing plant was given to the Attorney General's officers. This material is now in the possession of the police and has been examined by my staff.

Apart from some industrial garbage, scrap papers and parts of material Carswell was printing for nongovernment customers, my staff tells me that the sacks appear to contain scraps of proofs of documents, three areas of which could be of interest in this discussion. Neither my budget statement nor the tax measures which I will propose later today were part of the material turned over to the police.

Some of the material relating to Ontario government activities included parts of the Management Board of Cabinet estimates for the government for the coming year which were being printed by Carswell Printing Co. under a separate contract. These were also covered by a security clause and Management Board will be pursuing this with its legal advisers.

In addition, there were seven pages of a French translation of an early draft of an appendix to the budget statement. These sheets contain statistics on estimates of expenditures and revenues and appear to be from the second draft of the material. Several subsequent revisions had been made before the Globe and Mail published its report.

The third piece of data used by the Globe and Mail was pieced together from a torn-up proof of an Ontario health insurance plan bulletin which was to be printed for the Ministry of Health to mail to subscribers today, budget day. This document was intended to advise subscribers of our intention to increase premiums by five per cent at this time and it is the one document which we have not been able to accommodate within our in-house printing capacity. It will not be ready to mail for a few days.

However, I will be proposing today to increase premiums by five per cent, in keeping with the Inflation Restraint Act which limits increases in administered prices to five per cent unless an exception is granted by the cabinet committee on administered prices.

OHIP premiums are not a tax measure or an integral part of the budget and can be changed at any time by regulation, a process which also applies to other government fees or licenses.

For this reason, it was both legally and technically possible to change, drop or delay this increase. But we believe the amount and timing are justified, and in my view it would be quite improper to make any change for the sole purpose of discrediting the Globe and Mail report. I do not believe it is necessary for me to do that.

To recap, the budget which I will be introducing in just a moment is based on the best economic and fiscal advice we could obtain by actively canvassing a broad range of advice both inside and outside Ontario. The major issues today, which seem to have been forgotten in all of this, are the serious economic challenges facing our province and our country in 1983. Our budget is urgently needed, and I hope it will make a contribution to meeting those challenges. It must represent our best effort and must not be something less than that or something different or delayed for the sake of expediency.

So while it is clear that the security of the critical areas of this budget was not compromised by reporters who pieced together a story from the scraps from a commercial printing plant, the precedent involved has caused us a good deal of concern about how we can protect the public interest in similar circumstances in the future.

As I said at the beginning, detailed comment on other aspects of this matter by me would be quite improper until the pending civil and criminal law questions are resolved.

I will now get on with the body of my budget. I am delighted to see over the lights in the balcony two of my predecessors, the Honourable John White and the Honourable James N. Allan, both very fine Treasurers of the past. The family treasurer from Muskoka is seated up there too in the person of my wife. Her budgets balance.

I now present to the Legislature the details of the 1983 budget for Ontario.

The aim of this budget is to encourage and sustain the economic momentum as it gains strength. The recovery is still in its early stages and it will be important over the next few months to do what we can to assist the economy by nutting into place policies conducive to long-term growth, productivity improvement and job creation.

The recovery is being led, as it must, by the private sector. Only private enterprise can undertake the investments and create the permanent jobs upon which prosperity depends. Experience has shown that government works best when it works in co-operation with the private sector, allowing it the room and the resources it needs to do the things it does best not only for itself but for society as a whole.

Before outlining the objectives I have adopted in the 1983 budget, I would like to comment on our process of pre-budget consultation. In preparing this budget, I had extensive discussions with a large number of groups, including those representing farmers, small businessmen, teachers, workers, women, consumers and manufacturers. As well, I had meetings with other provinces, the federal government and the Association of Municipalities of Ontario. I would like to express my appreciation to all the organizations that took time to present their briefs to me. In virtually all cases their recommendations were constructive and well reasoned.

The pre-budget consultations indicated two main things to me. First, the worst of the recession is over. There is ample evidence we are now moving into a new period of economic growth. According to Statistics Canada, our industrial production jumped five per cent in January, the largest monthly increase in almost 50 years. This was followed by a further 1.7 per cent increase in February.

A Conference Board of Canada survey of business spending intentions has shown that businessmen are revising their investment spending plans because they do feel the recession is over. A consumer survey conducted by the same organization revealed a marked increase in consumer confidence in the first quarter of this year. As well, inflation is continuing to moderate in both Canada and the United States.

Equally encouraging is the news about employment. Since bottoming out last November, the number of people working in Ontario has risen by 24,000, seasonally adjusted. Employment has increased in three of the last five months and I expect that upward trend will continue.

The improving economic news makes me optimistic about Ontario's economic outlook. At the same time, I am realistic enough to recognize we are not out of the woods yet, that the hardship and suffering endured by so many during this recession have not yet been overcome. Our economy is like a patient who has been removed from the critical list but still remains only in fair condition. Further recuperation is required before the recovery is complete.

A second broad point of consensus that emerged during the pre-budget consultative process is that government must continue to playa supportive role in nurturing the economic recovery. The views I received during the pre-budget discussions and my own analysis of the economy lead me to believe our 1983 budget can best help restore economic prosperity by seeking to achieve four objectives.

First, we must try to maintain a co-operative federal-provincial environment so that governments work in harmony to improve our economic prospects. Second, we must emphasize the creation of long-term employment through the private sector by encouraging investment and productivity improvement. Third, we must expand our short-term programs for job creation, skill development and economic growth. Fourth, we must maintain a fiscal framework that allows us to pay for our beneficial public programs without imposing excessive burdens of debt upon the people.

My budget will address each of these areas in turn. I would like first to discuss intergovernmental co-operation. In the past two years, certain policies of the federal government have created severe problems for Ontario. The November 1981 federal budget dampened investment and business prospects. This was compounded by the federal cuts in payments for health and for post-secondary education. These cutbacks cost Ontario $288 million last year and will mean reduced revenues of $315 million this year.

The lost funds in these past two years alone would have been enough to pay for five years' worth of hospital capital requirements. Moreover, the federal government has further compounded the problem by capping the growth of post-secondary education transfers, an action that will trim an additional $37 million from our Ontario revenue this year.

A few weeks ago I met with the Honourable Joel Matheson, the Minister of Finance for Nova Scotia, to release a consensus provincial statement concerning this latest round of federal transfer cuts. As all the arguments are covered in detail in that statement, I will not repeat them this afternoon, but I do want to remind the members of the importance of that document. They should be aware, for example, that even under the most generous interpretation, the federal share in the funding of our health care programs has fallen from almost 52 per cent a few years ago to 43 per cent today. In actual cash payments, their share is about 24 per cent. These disturbing statistics help to explain the fiscal difficulties we have in the area of health care financing.

While I remain critical of federal policies in the area of transfer payments, I am more encouraged by certain taxation and economic policies that have been adopted by Ottawa. Going back to last June, we saw the federal government remove some of the more onerous provisions of the November 1981 budget and provide an incentive for the purchase of new housing that was complementary to the Ontario renter-buy program. We then saw the federal government act, in the fall, to create a new short-term job creation program which, in Ontario, added to the major initiatives I had implemented earlier in the year.

I responded to this constructive action by committing $100 million to the Canada-Ontario employment development program. I was pleased to note that in its recent budget the federal government adopted an economic stimulation program that is oriented to the private sector.

At this point I would like to mention briefly the tax collection agreement under which the federal government collects Ontario personal income tax. Last year, I indicated I was sufficiently concerned about the nature of federal changes to the personal income tax that I questioned whether Ontario should continue to be part of an agreement that compels us to parallel most federal amendments.

Accordingly, I asked the Ontario Economic Council to study this matter for me and report back. As members know, the council has completed its study of the matter and it expresses concerns about the current process, but it recommends that Ontario stay within the tax collection agreement and not adopt its own income tax system on the assumption that the federal government can be persuaded to improve the consultative process.

I believe recently the federal government has been somewhat more willing to discuss tax changes with the provinces. Therefore, we will remain in the tax collection agreement for the time being, but we must seek continuing consultation with tangible results if we are to stay within this arrangement in the longer term.

I would like to inject one word of caution about recent federal policies and that concerns the size of the federal deficit and the length of time it will take to reduce it to manageable levels. The Minister of Finance has attempted to address this issue by proposing tax changes but some of them will not take effect for almost 18 months. I am, quite frankly, sceptical of this approach. Fiscal reality is not something governments can put aside for another day or another budget.

I had a surplus that year, by the way, in terms of all but the capital account. The members opposite tend to forget that. In nine of the last 12 years, we have had a surplus on operating account and have only borrowed for the capital of this province. That is all we have borrowed for.

Thank you for the interjection. Please be on cue next time.

As I have noted, Ontario's economic performance relies on a strong and vibrant private sector. To gain permanent jobs for our citizens and productivity improvements that enable us to compete in world markets, business must be willing to undertake investments in new plant and equipment. Government has an important role to play in providing a climate favourable to capital formation and long-term employment creation.

In spite of improving economic prospects, business continues to approach new investment and job creation with some caution. In this environment, selective actions by government can be instrumental in reinforcing economic recovery by encouraging the private sector to undertake new job creating investment and by ensuring that our labour force is properly trained.

Later, I will outline new initiatives to expand manpower training. Now, I am proposing the following measures to promote new investment:

Ontario will parallel recent federal actions that improve loss carryover provisions under the corporations income tax. Businesses will now be able to carry noncapital losses back three years and forward seven years for purposes of determining Ontario income tax liability. This will be effective immediately for small businesses, farmers, fisherman and phased in over the next two years for other businesses.

In addition, net capital losses will be eligible for a three-year carry back as well as for the existing indefinite carry-forward provision. These measures, which will be of particular benefit to small business, will provide $40 million in tax relief in this fiscal year.

Turning to the issue of encouraging investment in production facilities, I have carefully examined the implications of our current retail sales tax policy. Existing provisions allow an exemption for machinery and equipment used directly in the manufacturing process. While this tax expenditure provides significant support to business investment, its scope can be enlarged.

Also, the complex nature of the production process, particularly in this era of high technology, means that the Ministry of Revenue must constantly make difficult rulings to determine the tax status of particular items of equipment. This has led to frustration and uncertainty for companies and people attempting to create new production facilities.

Consequently, I am proposing that effective midnight tonight the exemption for production machinery and equipment be expanded substantially. In addition, I propose to exempt from retail sales tax all purchases of tools and parts used for the repair and maintenance of exempt production machinery.

To complement the thrust of these investment incentives, I propose to exempt from retail sales tax the purchase of certain transportation vehicles and equipment such as heavy trucks and trailers.

With these measures, we will assist Ontario industry to improve its productivity which, in turn, will help to protect and create jobs. I estimate these measures will provide some $95 million of additional incentives in this fiscal year.

While the capital tax plays an important role in the province's revenue structure, we have been careful to ensure that this tax represents neither an unfair burden nor a needlessly complex part of business life. Already the bulk of corporations in Ontario pay a flat tax of either $50 or $100. This ensures that small business, in particular, is able to cope with this tax and not only the larger corporations pay the designated rates.

Since corporations are liable for capital tax regardless of their profit position, the tax can cause difficulties during a protracted downturn in the economy when some companies simply do not have sufficient cash flow and must borrow to meet ongoing liabilities.

Farm equipment dealers, for example, have suffered more than many during the recession. I am therefore proposing to extend temporarily the flat tax provision so that corporations in an operating loss position and that have taxable capital of between $1 million and $2 million will pay only $100.

This provision will be effective for two taxation years, ending after May 10, 1983, and before May 11, 1985. I estimate that this measure will reduce provincial revenues by $13 million this year.

I have stood in this House many times and emphasized the vital role small business plays in the Ontario economy. Last year I introduced a major incentive for small business, namely, the complete removal for two years of small business corporations income tax. Many small business people and their organizations have said this is the most important small business incentive introduced by any government anywhere in Canada for decades.

In determining the best small business policy for this budget, I was impressed with an observation in a brief I received from the Canadian Federation of Independent Business. It states that approximately 150,000 new small business ventures were born in 1982 and that 200,000 new businesses will be established this year.

"Thus," says the brief, "the dynamism of the new and young firm continues in spite of the recession. Even more now than usual it is most important to create a business environment in financing and taxation to foster additional formations and the growth" of successful new firms.

This observation has important implications when one considers the key role played by small business in creating jobs. I am proposing to extend the small business exemption from corporation income tax for one additional year. This will expand our small business incentive to a value of $180 million this year.

Another important element of Ontario's support for small business is the small business development corporations program. For the past few years, SBDCs have been increasing the supply of equity capital available to small businesses and they have been helping them to address one of the major concerns of most small businessmen.

To date, some $140 million has been invested under the program. Over 600 separate investments have been made by 314 small businesses in manufacturing, tourism, research and publishing. It is the single most successful venture capital program ever created in Canada.

To strengthen this program further, I have decided to increase its allocation significantly to $30 million for 1983-84, and I am proposing to expand the application of the program by increasing the employee limit for an eligible small business from 100 to 150 employees. To assure that the benefits from this program are distributed widely, I also propose that a limit of $5 million be imposed on the total allowable investment by any number of SBDCs in anyone small business.

I believe we must assess carefully the long-term role of this program so this summer I intend to establish a consultative process that will allow the small business community, the accounting and legal professions, investment analysts and all other interested parties an opportunity to provide me with their views. The advice and recommendations from these parties will help me to assess whether certain changes to the current approach would ensure an even more successful program in the future.

When we look at future productivity, we must keep in mind the sector that has demonstrated the greatest productivity gains in the past and continues to be one of the cornerstones of our economy. I refer, of course, to agriculture.

This government continues to be responsive to the needs of this very important sector. In 1982-83, some $45 million was advanced to the Crop Insurance Commission of Ontario to compensate farmers for their tobacco crop losses caused by hail storms and early frost. Also, the farm adjustment assistance program, which was to expire in December 1982, was extended for one more year to help farmers facing a difficult economic situation.

In this budget I am making provision for a new beginning farmers program. It will provide up to five percentage points in interest subsidy on eligible loans to beginning farmers for a period of five years. Up to 1,000 new farmers will benefit each year. At current interest rates, this program is expected to provide $9 million in interest subsidy in the first full year, and as much as $135 million over five years. The details of the program will be announced in the coming weeks by my colleague the Minister of Agriculture and Food.

This year, funding for the regular programs of the Ministry of Agriculture and Food will be increased by 9.3 per cent. The decrease in the overall allocation for 1983-84 reflects the very high level of extraordinary expenditures which were made last year, including the $45 million for the tobacco crop loss and an additional $15 million for the farm tax reduction program.

Almost a decade has passed since major reforms to the Mining Tax Act were introduced. I believe the time has come for a comprehensive review of our mining tax to ensure it is meeting its objectives of providing a fair return to the people of Ontario for nonrenewable resources, while encouraging further processing and supporting the long-term interests of the mining industry. Later this year, my colleague the Minister of Natural Resources (Mr. Pope) and I will announce details of how this review will be undertaken.

In the meantime, I would like to announce a modest incentive to assist our gold producers. Currently, a significant amount of the production of gold in Ontario is used in making the Canadian Maple Leaf gold coin. I propose to remove the retail sales tax from this coin to encourage its production in the face of increasing future competition.

The performance of research and development in Canada has been a topic of discussion and concern for a number of years. R and D can be an important source of competitive advantage, and society as a whole benefits from the innovation of new products and new processes. It has been argued that Canada performs poorly in this essential area compared with other countries. A budget paper I am tabling today addresses this issue. It indicates a marked improvement in R and D performance in the last few years.

I believe the tax policies and Board of Industrial Leadership and Development programs we have put in place have played a major role in this improvement. In fact, our analysis of the tax treatment of R and D in a number of jurisdictions shows Canada to be the most generous. Other studies confirm this finding. If the proposals advanced in the recent federal budget to simplify and increase the accessibility of R and D incentives are implemented, then the current international advantage for Ontario firms in the tax treatment of research and development will be reinforced.

In the face of unexpected economic adversity over the past 18 months, the Ontario economy continues to show fundamental strength. I am confident that, as we emerge from the 1982 recession, our diversified economic base will provide the foundation for a sustained period of economic growth. Nevertheless, I am keenly aware of the need to assist the recovery in its early stages and particularly to accelerate the growth of employment. Therefore, I am announcing today selective measures to stimulate consumption and expand our job creation effort.

The pace of our economic recovery will depend a great deal on the strength of consumer demand. To encourage consumer spending and strengthen confidence, I have decided to implement a temporary program of retail sales tax exemptions for selected items.

I propose a 9O-day exemption from retail sales tax on purchases of new household furniture and appliances.

The Premier and I may have trouble explaining to our children, who have just bought a bunch of furniture, what that is about.

A detailed list of exempt items is included in the appendix to this statement.

This tax relief will prompt consumers to accelerate spending decisions and will have a positive impact on important sectors of the economy. By targeting narrowly on products with high Canadian content, the greatest gains in production and employment can be achieved. I estimate that this initiative, which will begin at midnight this evening and extend to August 8, 1983, will save consumers some $55 million this year.

In addition to this tax cut, I will now announce more job creation measures and new initiatives for manpower training.

Members will recall that last May I introduced more than $170 million in short-term job creation initiatives. These programs provided temporary jobs for nearly 45,000 Ontario citizens. In November I announced two additional programs. Ontario committed $50 million for its own program to stimulate employment over the short term. We also agreed to co-operate with the federal government to create the CanadaOntario employment development program. Our $100 million was added to an equal federal commitment to make $200 million. Private sector, municipal and nonprofit groups have quickly taken advantage of these moneys. To date, 1,800 projects, which will create more than 15,000 temporary jobs, have been approved.

In his recent budget the federal Minister of Finance said more funds would be allocated to job creation programs. I am prepared to provide provincial funds to match that new commitment for the COED program by the federal government if it is willing.

I would like now to announce another new job creation initiative. It is an accelerated capital works program involving $247 million worth of projects, which will create 12,000 jobs.

The projects have been advanced from the longer-range plans of ministries so that they can proceed now while the economy needs additional stimulus. Construction will take place over the next two years, and in some cases local governments will contribute a portion of the funding. This capital works program, which is targeted primarily at regions of the province with higher levels of unemployment, will be co-ordinated by BILD. Details will be announced over the next few weeks by my colleagues.

Youth employment has for many years been a priority of this government. In 1982, our programs provided temporary jobs for 75,000 young people. I have decided to increase the 1983 allocation for youth employment by $36 million to bring the total for this year to $121 million. This will provide 100,000 jobs for Ontario's youth.

As part of this expansion, I am allocating $25 million for a new, accelerated youth employment program. It will provide a wage subsidy of $100 per week for up to 20 weeks to employers who add unemployed young people to their payrolls. A portion of the expenditure will be targeted to recent graduates of post-secondary institutions. I anticipate this new program will create 12,500 jobs.

I turn now to the important issue of manpower training. Earlier, I announced measures to create long-term employment opportunities through initiatives to encourage investment and to stimulate productivity growth. Equipping our people with appropriate skills makes a major contribution to economic development and to that productivity improvement; more important, it gives individuals the opportunity to pursue productive and rewarding employment.

I have decided to allocate a further $14 million to BILD this year to expand skill development programs in Ontario. Existing programs will be supplemented and funding will be provided for new programs to encourage employers to accelerate their hiring plans and to create new jobs and training opportunities. I am pleased to note that one of these programs will be of particular benefit to women interested in entering technical occupations.

Further details of these new manpower training initiatives will be announced by my colleague the Minister of Colleges and Universities. I turn now to the housing sector. The Ontario renter-buy program, introduced in the 1982 budget, proved very successful in promoting new home purchases and creating rental unit vacancies. More than 15,000 new home buyers will have received assistance under this program, with a total provincial commitment of more than $75 million. The program made a major contribution to the recovery of the housing sector.

I expect this momentum to continue in 1983, because new starts will be encouraged by lower mortgage interest rates and improving economic prospects. The preliminary data for the first quarter of 1983 are very encouraging and support a forecast of 53,000 new housing starts for the year, an increase of 38 per cent over the 1982 level.

While I am encouraged by these indications, I believe we do need to provide a degree of stimulus in the rental sector. Therefore, I am proposing this afternoon a $4O-million stimulative package aimed at creating and improving the stock of rental accommodation in the province. This new initiative will assist in the rehabilitation and construction of more than 5,000 units, representing 12,000 jobs in construction and related activities. I expect the full amount will be committed this year and that cash flow for this year also will be $16 million. The details of the program will be announced by my colleague the Minister of Municipal Affairs and Housing.

Before turning to our revenue requirements for this year, I would like to review briefly some highlights of our expenditure program for 1983-84.

In these difficult times, one of our highest priorities must be to provide our people with a sense of security about the availability of fundamental programs that provide support to the individual and the family. In 1983-84, $10 billion will be spent on health care and social services, well over $1,000 per citizen.

We will introduce improvements to treatment centres for the physically handicapped children in a number of communities throughout Ontario. Almost 500 new beds will be opened for the aged and the chronically ill. Last fall, we introduced a special program costing almost $70 million to provide additional social assistance throughout 1983-84 to people most severely affected by the recession.

Our total spending on education this year will be $5.5 billion, an average of about $1,800 for each young person in the province. In recognition of the increasing importance of computers in society, the Ministry of Education is working with school boards to provide software packages for use in elementary and secondary schools. There are now about 7,000 microcomputers in publicly supported schools in Ontario. New capital spending on our education system will be $116 million this year. This will emphasize our priority on technological training, with expansions or new facilities in Sault Ste. Marie, Oshawa and Guelph. The province has also decided to proceed with the natural resources centre at the University of Toronto.

In special education programs the province has increased funding by 16 per cent to $260 million in 1983-84. Last fall a third demonstration school for children with severe learning disabilities was opened. To provide assistance to students, funding for the Ontario student assistance program will be increased by $9.6 million to $119.4 million in 1983-84. This program helps approximately 90,000 students in the province every year.

The province will expand its efforts to promote exports of Ontario products this year. The allocation for the programs of the Ministry of Industry and Trade will be increased by 15 per cent. However, because of the $75-million payment in 1982-83 to meet our commitment for the Massey-Ferguson assistance plan, the actual dollar estimates of the ministry will be lower.

Since it was created two and a half years ago, the Board of Industrial Leadership and Development has devoted $407 million to support economic development. Over 80 new programs and initiatives have been funded. In 1983-84 it will cost over $70 million in the recently established centres for the promotion of new technologies and advanced applied research, including the six technology centres, the Innovation Development for Employment Advancement Corp., the fusion fuel technology project and the Allelix Biotechnology Co.

BILD will provide the universities and community and agricultural colleges with $21 million worth of high-tech equipment and training support and direct over $40 million to initiatives in the agricultural, forestry and mineral sectors to upgrade resources, intensify renewal efforts and promote technological advancement.

I have now outlined special job creation measures and some highlights of our overall expenditure program. Another of the great strengths of this province is the reputation of its government for good financial management. We intend to continue to meet our responsibilities to existing and future citizens. Accordingly, the bulk of the stimulation programs I announced earlier must be financed by revenue increases, which I shall now discuss.

Before discussing tax measures, let me turn to Ontario health insurance plan premiums. The province of Ontario commits over 32 cents out of every spending dollar to health care. This fact alone means that even modest percentage increases in health spending can create significant revenue requirements. While OHIP premiums provide an important source of funds, the growth of health care expenditures has outstripped premiums in recent years. Five years ago they paid for 23 per cent of health spending; this declined to just 19 per cent last year.

Last May I released a paper that examined the possibility of addressing part of this problem by replacing OHIP premiums with a payroll tax. I have received a number of briefs concerning this paper, most of which express doubts about the wisdom of introducing a new payroll tax. I intend to heed this advice and I do not intend to proceed with any further study or discussion of the payroll tax concept at this time.

This year premiums occupy a unique place in our revenue structure because they are an administered price and therefore are subject to the provincial restraint program. While this program allows for cost pass-through and therefore a double-digit premium increase could be justified, I believe the overall credibility of the inflation restraint program could be harmed if such an increase were permitted to go through.

Consequently, I decided to restrain the increase of our OHIP premiums to five per cent this year.

This modest monthl) increase of $1.35 for single persons and $2.70 fOJ family coverage will yield $60 million in additional revenues. I need not remind the members that 70 per cent of OHIP premiums are paid by employers.

I also propose that additional revenues may be obtained from beverage alcohol by increasing the retail sales tax from 10 to 12 per cent on purchases of beverage alcohol at retail stores. Purchases at licensed establishments will remain taxable at 10 per cent. This increase will be effective May 24,1983. Members can stock up.

It is estimated that $31 million in additional revenue will be generated from this measure, with price increases amounting to about 20 cents per bottle of average-priced spirits, 10 cents per bottle of popular wines and 15 cents per case of 12 bottles of beer.

I am also proposing to increase revenue from the taxation of tobacco. First, I am proposing that the ad valorem tobacco tax rate be increased from 40 to 45 per cent for cigarettes and cut tobacco. Cigars will stay the same.

Second, a seven per cent Ontario retail sales tax will be applied to all tobacco products. The retail sales tax will be levied in addition to the tobacco tax and will be applied to the retail selling price, inclusive of such tax. This will mean that the taxation of tobacco products is more consistent with our treatment of other products. I anticipate that these measures, effective midnight tonight, will raise additional revenues of some $135 million.

I now turn to the corporations income tax. As a paper accompanying this budget shows, Ontario's taxation policies provide a balance between the taxation of individuals and corporations, while ensuring that taxes on business are consistent with our economic growth prospects and with the realities of international competition. With this in mind, I have determined that it is fair and affordable for the corporate sector, along with individuals, to help maintain the essential services our people require.

Therefore, I am proposing that the general rate of corporations income tax be increased from 14 per cent to 15 per cent, while the rate on income from manufacturing and processing operations, mining, logging, farming and fishing be increased from 13 per cent to 14 per cent. This change will apply to taxation years of corporations ending after May 10, 1983, and will generate an additional $70 million of the expected total revenue increase from corporations income tax of $255 million. Small business income, as noted earlier, will continue to be exempt.

I would like to announce one additional temporary tax measure which will be necessary to assist in the financing of our public programs and new initiatives for job creation. Beginning July 1, 1983, and continuing through the 1984 tax year, a five per cent surcharge on Ontario personal income tax will be collected. It will be called the social services maintenance tax.

I borrowed that from the New Democratic Party. They told me to do it. That is exactly what they said.

Lower-income Ontarians will be protected since the surcharge will apply only to Ontario taxpayers with taxable income in excess of $2,178 this year. As a result, some 500,000 taxpayers will not pay this tax. For those who are affected, the average tax increase amounts to about $1.40 per week. Over two million of these taxpayers will, in fact, pay less than $1 per week in increased income tax.

This means that those citizens of Ontario who have jobs will contribute a modest additional amount to ensure that decent public programs and job creation initiatives are paid for without undue increases in our deficit. This measure will yield $170 million in this fiscal year.

Details of the tax measures I have announced this afternoon, as well as a number of additional retail sales tax changes of a technical nature, can be found in appendix A to this statement. Legislation to enact these measures will be brought forward by my colleague the Minister of Revenue.

Now that I have outlined the major actions of this budget, let me move to my forecast for the Ontario economy. As I said earlier, there are encouraging indications of economic recovery. Inflation has decelerated significantly since the middle of 1982. Public sector wage and price restraint and a favourable outlook for food and energy prices will, we believe, cause this trend to continue. Industrial production has risen in the latest two months for which data are available. Interest rates are at their lowest levels in three years and seasonally adjusted employment in Ontario has increased by 24,000 since the low point of last November.

Real growth in gross provincial product should average 1.9 per cent for 1983. While modest by historical standards, this is a massive improvement from last year. Employment will be on an upward trend throughout the year. I expect the number of people employed in Ontario by the fourth quarter of 1983 will be 65,000 above the level in the fourth quarter of 1982. The consumer price index is forecast to rise by 6.6 per cent, the lowest annual increase since 1972.

Last fall I introduced the legislation required for the inflation restraint program which is a key element in our efforts to foster economic recovery. This program was essential. The private sector, already hard hit by the recession, could not be expected to pay for unwarranted growth in government expenditures.

During these difficult times, the program holds the costs of government down in two ways. First, compensation increases have been limited for over 1.5 million employees in the broadly defined provincial public sector. Second, restrictions are placed on increases in prices set or directly authorized by Ontario ministries or agencies.

By keeping its own house in order, the Ontario government has made an important contribution to the reduction of inflation, both directly through cost and price restraint and indirectly by providing leadership to others. In this manner, the restraint program has made a constructive contribution to moderation in the rate of inflation. This moderation is expected to continue over the next year; unit labour cost increases have decelerated and, as I indicated earlier, our inflation outlook is favourable.

While the measures contained in this budget will help to restore economic prosperity, much remains to be done. Ontario's job losses over the past couple of years have been high and unemployment has risen to completely unacceptable levels. Ontario's public sector workers largely have been sheltered from those events. In part, this is due to the design of our restraint program. When it became necessary to make an extraordinary effort to hold costs down, the choice was made to preserve employment by placing limits on wage increases rather than requiring major layoffs. I might also point out that with declining inflation a five per cent wage increase is not that bad.

Looking ahead, fiscal realities make it essential to continue to constrain government expenditures. Wage demands in the public sector must continue to moderate. Otherwise, it simply may not be possible to maintain the degree of job security in the future that has been provided to date. Public agencies, municipalities, boards of education, universities, colleges and hospitals indeed, all bodies financed largely through tax dollars-must be expected to show restraint in their compensation plans. Recipients of provincial funds should not anticipate future increases at levels above, or even at, the rate of inflation.

I should also note that restraint is not a matter for the public sector alone. Recovery will require everyone, whether in the private or public sector, to restrain his demands for higher wages and prices.

Nor can our efforts to constrain government spending be limited to wage restraint. We need to examine carefully all aspects of our expenditures to determine where we can find further improvements in savings or efficiencies. While Ontario's record in holding the line on government expenditure is well known, we intend to redouble our efforts. To do this, we have created a formal program review process to examine all provincial programs to see where savings can be achieved.

As part of this review, each ministry will undertake a thorough reassessment of its programs and priorities and recommend to cabinet where expenditures can be reduced. This exercise will apply to all ministries, including my own. In this regard, I have questioned the usefulness of continuing the Ontario property tax credit now that comprehensive property tax reform has been postponed indefinitely and local taxes account for a lower percentage of personal income than they did in the early 1970s.

Before concluding, I would like to discuss briefly the Canada pension plan. As Treasurer, I constantly must balance the desirability of increasing social benefits with the need to ensure that such increases are not only adequately financed but also delivered through the most appropriate vehicle. These concerns have influenced our reaction to proposals to amend the Canada pension plan and to explain why the government of Ontario has not ratified the so-called child-rearing drop-out amendment.

However, it is clear from the many representations that have been made to the government, particularly from the Ontario Status of Women Council, that the drop-out amendment has the widespread approval of people across Canada. Because of this fact, and with the desire to promote a spirit of goodwill in the pension reform process, the government of Ontario will set aside its longstanding reservations and will remove its veto of the CPP drop-out amendment.

Tomorrow I will initiate the process of formally notifying the federal government of Ontario's decision. Later this year, the new minister with responsibility for women's issues will elaborate further on pension reform measures that will be beneficial to women.

Let me now conclude this budget by summarizing our financial position. A brief review of the past fiscal year again shows this government's sound financial stewardship. The record shows our actual expenditures and revenues were both within 0.7 per cent of the original budget estimates I tabled last May. We accomplished this during one of the most difficult years in the post-war era. This kind of management record is second to none. Moreover, in 1982-83 our deficit in relation to output was the lowest of any province in Canada.

During the course of the previous year, we responded to the many economic and social pressures with in-year expenditure increases of $728 million. These were financed mainly by $562 million in offsets from existing programs. As a result, total expenditures went up by $166 million, or less than one per cent. This enviable expenditure management record was achieved by my colleague the Chairman, Management Board of Cabinet.

In 1982-83 we allowed cash reserves to decline rather than borrow at record high interest rates. These reserves will be replenished through an orderly borrowing program in a market that now has more advantageous rates. The recession has also had a considerable impact on government revenues, but overall our revenues were within $150 million of the original forecast. Details of our financial accounts and our in-year changes are presented in appendix C.

In the 1983-84 fiscal year, total provincial revenue is estimated to grow by 7.9 per cent to more than $22 billion. I think Mr. Allan had the first billion-dollar budget, and we have multiplied that a bit. This revenue performance reflects both the forecast upswing of economic activity and the revenue measures I have announced. Provincial spending is expected to grow by 7.7 per cent to $24.7 billion in the current fiscal year. This rate of growth is below that projected for the provincial product.

I have outlined certain revenue measures and the program review process that we have set in place to find ways of further improving government efficiency. I have also indicated that last year we were able to find significant in-year savings. This year I am setting a target now of $300 million of in-year expenditure savings yet to he identified.

In other words, I believe our total expenditures can be reduced by $300 million, and this has been incorporated in our net cash requirements projection. These savings are essentially applied to the job creation programs described earlier.

I estimate net cash requirements for 1983-84 to be $2,695 million. When this deficit is projected in relation to the gross provincial product, it will be lower than last year's level. It will be financed by $2,080 million from non-public sources, with the balance from public capital markets.

Of the projected $1 billion to be borrowed publicly, $267 million will be used to retire maturing debt and $118 million will be used to augment the province's liquid reserves. Further details of our fiscal plan are appended to the statement.

In conclusion, Mr. Speaker, I am confident the policies in this budget will assist the Ontario economy on its path to recovery and long-term prosperity.

You can applaud longer. I am running slow. This budget fosters federal-provincial co-operation.

It holds the increase in government spending below the growth rate of the economy.

It stimulates business investment and job creation.

It holds the deficit in check.

It limits Ontario health insurance plan premiums to a five per cent increase.

It accelerates $247 million of new capital projects.

It creates 100,000 jobs for youth this year.

It initiates measures to improve manpower training.

It helps young farmers and renters.

It provides an immediate tax incentive for the purchase of appliances and furniture.

This budget continues to build upon our record of rock-solid financial stewardship. It is a budget that will assist the restoration of growth and prosperity in our beloved Ontario, a province that will long continue to profit from the leadership of the Premier.