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| Manitoba | 27e | 1re | Discours sur le Budget | 26 avril 1963 | Duff Roblin | Premier ministre et Trésorier provincial | Progressive Conservative Party of Manitoba |

Madam Speaker:

For the fifth time, it is my privilege to move consideration of the requirements of Her Majesty's Government in Manitoba for another fiscal year.

I propose to consider at once Manitoba's economic situation as a background to our policies and programmes for the new fiscal year, the first of this new Legislature. The recently completed report of the Committee on Manitoba's Economic Future gives added significance to this review at this time. The Budget will reflect the continuing application of the policies expressed in our programmes to meet the current and anticipated needs of our economy and of our people.

The Economy

The new strength of the economy in 1962 was attributable in substantial part to the good results in agriculture in this Province and elsewhere, and a brief review of the highlights of the agricultural record over the past year will serve to emphasize this.

In contrast to the drought-In 1961, weather conditions were favourable overall and contributed to the achievement of the largest aggregate harvest on record. Livestock production was somewhat lower after the unusually large marketings which resulted from the feed shortage in 1961, but prices now have partly off-set these quantity reductions. The net value of agricultural production in 1962 is now estimated at $300 million - the highest level ever recorded for the Province. The renewal of strength is clearly reflected in the fact that the net value of output per farm rose from $4,800 in 1961 to over $7,000 in 1962. Production in grain crops alone rose from 72 millions in 1961 to a new record of over 200 million bushels last year.

Crop conditions, however, were not uniformly favourable throughout the Province. Severe hail storms in a limited area of south-western Manitoba and excessive moisture in the Red River Valley and in a substantial area west and north of Winnipeg affected harvests. Fortunately, many farmers in some of these areas had availed themselves of crop insurance which proved its worth in aiding the affected farmers to maintain their economic position. This year, the crop insurance programme will be extended to add an additional test area and thus insurance coverage will be available to about 30 percent of the farmers of the Province. In total, more than $9 million in coverage was provided in 1962 to some 4,400 farmers.

Our programmes of investment in agricultural research are proving their value for the farmer and for the economy generally. We will be providing, in the year ahead, over $1 million in further support for specific research projects and facilities at the University. We will also be initiating a soil and feed testing service at the University of Manitoba which will help farmers increase efficiency.

Since its inception, we have committed over $18 million in credit for farm enterprise through the Agricultural Credit Corporation. Loan repayment experience to date shows that 98.1 percent of outstanding credit has been repaid on time and that less than 2 percent of repayments are in arrears, with the majority of the late payments outstanding for less than six months. This favourable record is particularly significant when one considers the extreme drought conditions that prevailed in 1961. The excellent repayment experience is solid evidence of the soundness of our investment in the enterprise and initiative of those Manitobans engaged in the business of agriculture. This credit programme will be broadened to provide intermediate term credit to the producers of beef cattle. Farmers will be able to borrow up to $10,000 for a period of up to ten years on the basis of chattel mortgages on beef herds, for the purpose of expanding their beef enterprises. Farmers will thus obtain a source of credit to put their beef cattle enterprises on a sound footing and over the long term, the livestock industry offers one of the best opportunities for the expansion of agricultural income.

The Agricultural Rehabilitation and Development programme is moving forward. A general agreement has been signed with the Government of Canada and sub-agreements on several projects are being undertaken under the various sections of the Act. A great deal of key planning and preparatory work has been underway this past year to provide the base from which the programme will move ahead over the coming months. Funds will be committed for the implementation of several projects of related research, land use and water control. We believe that in this programme there is great promise for the re-organization, on a voluntary basis, of low income agricultural areas so that they may offer a better living to their inhabitants.

In conjunction with these ARDA programmes and as a part of the policy to increase cattle production, the Provincial and Federal Governments are co-operating in the establishment of six new community pastures. It is worth noting that these projects represent a 50 percent increase in the number of community pastures in Manitoba.

Manitoba business moved forward in key sectors in 1962 and the year established a record for our Province in terms of overall economic results. The gross provincial income - representing our share of the gross national output value - reached an estimated $2 billion in 1962. Manitoba not only shared substantially in the buoyant national trends last year, but had the satisfaction of having resisted previously - with marked success - the extremes of lagging trends evident elsewhere. After coming through the difficulties of drought and crop losses in 1961, still clearly in possession of forward initiative in our increasingly diversified provincial economy, we have endeavoured to make the most of our opportunities to further our expansion and development over the past year.

Aggregate personal incomes in Manitoba in 1962, at well over $1.4 billion, have never been so high. Labour income in Manitoba in 1962 neared the $950 million mark as earnings reached another record. Underlying this new level of earnings was the fact that for the full year 1962 our provincial work force of 334,000 persons, on average, was about 96 percent employed over the twelve months as compared to an average of 94 percent employment for Canada over the period. In fact, employment in Manitoba reached a record level through the upper swing of the annual cycle which lasted from the middle of May to the peak of harvest in October. During this five month period, the average on-the-job experience in this Province was some 98 percent of the work force - or virtually full employment.

The long range problems of accelerating expansion of employment opportunities remain. While our more favourable experience in the Province is to be greatly appreciated, there are problems which cannot be ignored. The sustained growth of greater numbers of new job possibilities is the vital objective that we must achieve. Many of the suggestions contained in the Report of the Committee on Manitoba's Economic Future should provide useful guides to such potential development.

Overall retail sales for 1962 totalled to a new high of $859 million. New strength was also evident in the manufacturing sector. In the twelve months ending with December of last year, Manitoba manufacturers recorded shipments valued at more than $820 million for an increase in manufacturing output over 1961 of over $50 million. These gross earnings by processors and producers give increasing support to the earning capacity of our work force and this in turn does much to ensure the continued strength of Manitoba's consumer market - so essential in the overall provincial economic strength.

The importance of that market is given added significance by the pattern of our industrial diversification, emphasizing as it does the specialized industry, the service enterprise and the relation of many processors to primary food production. Clearly revealed is our need to find our future strength in increasing diversification and growth among these secondary processors, and most particularly in the development of service and new-product enterprise.

The general upward swing of the economy throughout 1962 was to be noted in a number of other key indicators. Investment in new plants and equipment and repair expenditures showed a firmer trend in total than for some years past. Our preliminary estimates of overall new capital investment and repair and replacement expenditure in Manitoba during 1962 show a cumulative total of $613 million - up from the $585 million overall capital outlays and commitments in 196l. Of the $613 million estimated total capital expenditure in 1962, new capital commitment accounted for $442 million - some $25 million- above the 1961 estimate with the private sector sharing some of this increase. Major capital growth stimulus in the Province still stems from public investment in such facilities, particularly those under development by Manitoba Hydro, the Manitoba Telephone System, the Greater Winnipeg Floodway, and in other public asset development.

New manufacturing investment in 1962 was still below the desirable level of participation in the growth of our economy, although the preliminary forecasts for 1963 are indicative of a trend toward higher annual commitments. Since its inception, the Manitoba Development Fund has aided more than 100 individuals, firms and community development corporations in their efforts to realize more fully the opportunities available for sound growth in Manitoba. Actual loans from the Fund to date - more than $8 million with some 70 percent outside Metropolitan Winnipeg - have supported the creation of better than 1,200 new employment opportunities in the Province. The private enterprise partners in this expansion have approximately matched this commitment and the total of $15.8 million in new co-operative investment made possible by the Manitoba Development Fund operations over the past four years has resulted in an estimated additional factory output of over $19 million annually. Another $600,000 per annum in new tourist revenue has been made possible through the Development Fund. The significance of this is emphasized when we consider the increasing contribution that tourism now makes to our economy - nearly $40 million annually and I might say that here again is another provincial record.

Our ability to absorb new workers into the productive labour force of the Province will depend largely on our ability to increase the strength of our general economy through the wider development of new markets. Even successive agrtcultural harvests of the magnitude of 1962 or expansion in provincial incomes and output generally at the levels of growth enjoyed recently will not likely meet our need to provide growing numbers of our people with employment. We must realize that even service and specialized enterprise is today increasingly more dependent on capital and less on labour. To develop new jobs we will require growth as well as specialization and diversification. The maximum in selective new capital investment by the private sector is now most necessary. When we look at the magnitude of the task before us in the light of Manitoba's already considerable accomplishments, we can clearly understand and appreciate that this is no time either for complacency or for "resting on our oars".

In 1962, the major construction projects brought underway included a beginning on the $63 million Red River Floodway - larger by 30 percent than the combined dredging and excavation of the St. Lawrence Seaway project. Two excavation contracts for the Floodway were awarded in the fall and better than anticipated progress was made up to the end of the year. Contracts for the construction of related highway and railway bridges in connection with this project, and for the outlet structure, were awarded and construction is commencing. Surveys have been underway during the year for both the Assiniboine diversion at Portage la Prairie and for the Shellmouth reservoir, and this work will proceed in the 1963-64 fiscal period.

The Manitoba Water supply Board initiated projects during the year to serve six more towns and villages. Water supply and treatment works for the town of Deloraine and for the villages of Erickson, Cartwright and Holland were started and completed during the year; Construction is still proceeding in the villages of Reston and Hamiota. This important utility plays a key role in modernizing vital services in many of our smaller centres.

The 1962 output of electrical energy in Manitoba reached a record 4.4 million K.W.H. of firm energy. Last year, the value of electrical energy consumed in Manitoba alone reached an estimated $42.6 million - up over the $39 million total for 1961. The creation of new generating capacity requiring the investment of $127 million is well advanced at Grand Rapids - progress there during the year indicated initial operations of the facilities will be commenced late next year and that the entire project will be completed in 1965-66. Detailed considerations of the tremendous power potential of the Nelson River began during 1962; marking a further commitment to the future for Manitoba and for Canada as a nation. In this reference, again, the emphasis is on the special role to be filled by this Province. In a national economy dependent upon abundant power at low economic cost, Manitoba's supply of untapped potential energy is a key to yet unrealized new contributions by our Province to the national development, as well as to our own.

The telephone utility also recorded another outstanding year of expanded service and development. In 1962, the Manitoba Telephone System added nearly 13,000 new customer installations and made capital investments and extension of existing services. We have now passed the 300,000 level for in-service telephones and our service equipment, facilities and organization have been kept to a maximum efficiency.

There were more than 332,000 motor vehicles registered in 1962. That total reflects an average annual growth rate in vehicles registered since 1958 of better than 15,000 in every registration year. The nearly $40 million in tourist business now being realized annually in Manitoba can, in major part, be directly related to the improvement and extension of highways and roads to areas most attractive to resort development. There can be no question that the $29 million Provincial Government investment in 1962-63 in construction, reconstruction and maintenance of Provincial Trunk highways and other Highways, the Roads to Resources and other routes, represented a direct support for tourist trade expansion, new resource development, greater industrial decentralization and the general diversified growth-in overall provincial economic activity.

The Roads to Resources programme was the means by which four more northern centres were connected to the Provincial road system in 1962. Snow Lake, Chisel Lake, Osborne Lake and Wekusko were joined to the Provincial network by all-weather gravel surface during the year. Work which has proceeded throughout the winter, and the construction programme which has been accelerated, will bring Thompson into the Provincial highway system within a relatively short time. Better than 300 miles of work has been completed since 1959 on access roads to connect various centres located within five miles of a Provincial highway. Since the inception of the access road programme in 1959, there has been a marked strengthening of many of our local communities. All Manitobans benefit from the greater ease of travel and communication thus provided.

The improvement in our highways and the reduction of road hazards brought about by the upgrading of construction over the past four years has contributed substantially to greater safety for road users. Since 1958, the fatal accident rate per 100 million miles driven in Manitoba has been reduced by better than 28 percent and is consistently below the national average, as reported by the Dominion Bureau of Statistics. In spite of the 23 percent increase in motor vehicle registrations over the period, there has been no increase in the general accident rate in Manitoba and in 1962 the rate of miscellaneous accidents per 1,000 vehicles on the road actually showed a slight decline. That this increasing use of our highways has continued without increase in the rate of loss and damage is in major part a result of the emphasis on safety in our highway policy and in the vigourous programmes of driver training. In all, development of the Provincial highways, and in the use of those highways, we shall maintain the twin factors of safety and efficiency to ensure true economy in our modern transportation policy.

We expect that for 1963-64, that additional Provincial investment of some $32.8 million will be committed to sustained progress for Manitoba's highways and other roads for construction, improvement and maintenance.

In 1962-63 we invested some $4.7 million in new or renovation work to provide aecommodatton for technical education, health, reform and rehabilitation, recreation and other public services. In 1963-64 the programme calls for $5.7 million to continue our policy of efficient and economical provision of these public facilities.

In mineral production, the full year of operations at the nickel complex of Thompson was the major contributor to a 60 percent increase in the value of our total mineral output. From a total of just over $100 million in 1961, last year we recorded a total mineral production valued at $159 million. The Stall Lake Mine, near Snow Lake, is expected to commence production before the end of 1963. This past year of growth - the best in the history of our resources development - means that the soundness of northern investment programmes, both public and private, over the past few years is confirmed.

Exploration for future development has now been extended to areas which previously received little attention. Oil prospecting was carried out in the unexplored area on the shore of the Hudson Bay. The Department of Mines and Natural Resources placed six geological crews in Precambrian areas during the 1962 field season. These parties were engaged in the geological mapping of areas near Cross Lake, Knee Lake, Thompson and south of Southern Indian Lake. The Geological Survey of Canada also conducted two reconnaissance geological surveys and several ground water surveys in Manitoba. The geological parties were in the areas north of Lake Winnipeg and northwest of Churchill. The first year's work under a three-year agreement with the Federal Government, in respect of a joint aeromagnetic survey, has been completed. This programme will continue in the Precambrian areas in Northern Manitoba.

Our work toward upgrading the economic status of our forest industry continues. Unlike the previous year of drought and high forest hazards, the planting season in 1962 was favourable for reforestation and some 2,000,000 trees were planted on Crown lands while a further quarter million were made available for private planting in farm shelter belts, farm wood lots and tree farms. Development of forest management plans continued and included the Riverton management unit of 746 square miles. Field survey work was completed on 295 square miles in the Hodgson, Duck Mountain and Turtle Mountain areas. The trend in outdoor recreation continued upward during the year, notwithstanding that there were from this standpoint rather unpleasant weather conditions which prevailed throughout much of the summer season.

There was some general improvement in the fishing industry as more emphasis was placed on quality and as a result a generally higher price level tended to prevail. A programme is presently being developed to assist rough fish processing to provide a valuable source of animal food and supply a market for less valuable species of fish now being wasted in the industry.

Human Resources

The reason for emphasis on economic progress has to be expressed in human terms.

Better, happier, healthier lives depend in major part upon the capacity of Society to provide full opportunity for development. Government activities in this regard constitute basic support for the creation and expansion of human opportunity. To provide the necessary education and training of our young people and to meet the increasingly specialized requirements of our workers for knowledge and skills the Province has continued a major effort in the field of education.

In 1963-64 direct general grants to school boards, estimated at $28.5 million is almost double the annual aid to schools since 19513-59 when the grants totaled $14.6 million.

Increased enrolment at the elementary and secondary level are evidence of an expanding educational system, with the increase at the secondary level being the most marked. In the four years of operation of the division plan, the total enrolment in secondary schools in Manitoba has increased from 33,774 to 48,952 or by 45 percent. In Grade XII alone, there was an increase in enrolment outside of Metro Winnipeg of 122 percent between June of 1958 and October of 1962.

Since 1958-59, more than 3,200 classrooms and classroom equivalents have been completed, representing 267 new buildings and additions. The value of new construction in 1962-63 alone approximated $8 million, and for the period the total investment in buildings was $54.6 million.

Our growing investment in vocational and technical training facilities reached $7.9 million last year, with major commitments in the technical training field. The increasing interest in technical and vocational education is evidenced by a new high in enrolment - some 4,200 students were registered in the fall of 1962. The new $5 million Manitoba Institute of Technology is nearing completion and it will be possible to make use of that part of the building designated for trade training at an early date. Classes in the various technologies will com­mence in September of 1963, as scheduled. In addition to the new Institute of Technology, it is planned to provide two additional vocational schools - one at The Pas and the other at Brandon. These schools will more adequately meet the need for additional technical education in the northern and western sections of our Province.

Again this year the institutions providing higher learning will receive assistance with both their capital and current programmes. In 1962-63, more than $8 million in operating and capital assistance was made available to the University and the affiliated colleges. For 1963-64 we estimate another $9.4 million in such aid will be extended. This financial support will facilitate the construction or completion of new residences , libraries, arts, science and medical facilities as well as other University purposes.

Emphasis is being placed on an educational programme designed to meet the varying needs and abilities of our population. The overall expenditure in Education - approximately $43.9 million estimated on current and capital account in 1963-64 - is perhaps the key investment in the Province's whole development programme. We know that the realization of our best hopes and plans for the future must ultimately depend upon the capacity of our young people to take advantage of the opportunities being developed in the Province.

Our social services continue to show a judicious expansion. A new multi-service agency is being established in co-operation with social agencies in Greater Winnipeg to bring together various rehabilitation and social services concerned with the human and financial problems being experienced by welfare recipients, particularly in respect of the able-bodied in the Salter-Jarvis area of Winnipeg. In addition, a pilot project will apply a Community Development approach to this redevelopment area to complement the urban renewal and redevelopment projects now underway. A new Provincial low-cost housing plan will assist undertakings in this field in the City of Winnipeg and other municipalities. The Community Development programme for the Indians and Metis is now firmly established in key areas, and will be extended and improved in the coming year. In comparison to the approximate $8.5 million social welfare commitment in 1958-59, we are providing $18.3 million in current and capital account in 1963-64 - some $10 million more annually for these programmes.

The primary role of Government in the health field involves prevention, detection, hospital care and rehabilitation, in both the general and mental health sectors. These are aspects of health services which the individual either cannot organize or arrange for himself or for which he requires material assistance. In this regard, the Government acts as a co-ordinator to ensure proper integration and balance in community health efforts.

Break-throughs in concepts related to mental health have been reflected in our support for psychiatric services as these are expanded to meet new requirements. In 1963-64, we will be providing some $6.6 million for this purpose - almost double the 1958-59 support given to psychiatric services. Part of this effort, emphasizing the preventative aspects of mental health care, is the Community Mental Health programme. Through increased staff, resources and service for the support of discharged patients in the home and community environment, we can hope to ensure more effectively the ultimate success of our wider programmes of mental health care. A new $750,000 clinical unit at Selkirk, to be completed in the near future, includes a large out-patient department to support the community mental health programme in the Selkirk hospital service area. We are also about to undertake an experimental use of cottage-type accommodation at the Portage School for the Mentally Handicapped in Manitoba. Other facilities for the mentally retarded will also be expanded. The St.Amant ward for children will be enlarged. Increased support will be given for the care and maintenance of mentally retarded outside institutions. We are also glad to be able to report an actual decrease of 467 in the number of patients in our mental hospitals since 1958. In effect, the new vigor of our Psychiatric programme has not only returned many patients to their homes, but has spared us the construction of a new 600 bed, 6 million dollar mental institution. These results are increasingly dramatic when we consider that the total number of admissions has continued to increase by 20 percent each year. The key to this success story is, of course, the more intensive psychiatric care which has gradually reduced the average length of stay before discharge to the new low figure of 3 1/2 months.

All of these projects are part of a sound economic approach to effective maintenance of mental health in the community and warrant our full support.

In the general health field, 1962 was a year of further development and service. An intensive province-wide oral poliomyelitis programme was carried out. This programme gave Manitoba the highest population coverage ratio of any area in Canada. In this connection we note with great satisfaction that only four cases were reported during 1962.

The opening of the Manitoba Rehabilitation Hospital in 1962 marked the establishment of a reoriented programme of rehabilitation service. The $4.5 million investment represented will prove to be one of the most directly effective expenditures in the health field as people are given the wide range of expert assistance to a full return to productive health. New agreements with the Federal Government will also make possible the development of a comprehensive, vocational rehabilitation programme for adults. A new facility for the Society for Crippled Children and Adults will also be completed in the near future.

During the coming year, the Departments of Health and Welfare will operate for the first time an inter-departmental care authority in support of people requiring less complex help than provided in hospitals. This will aid in the economical use of hospital space in Manitoba. Cancer diagnostic and treatment services will be further expanded in the coming year with the opening of the uniquely comprehensive headquarters constructed for the Cancer Foundation. Dental health programmes will also receive new support through the newly organized two-year course for dental hygienists - the first graduates from the University will be ready to enter the field in 1965.

The five year programme for the development of improved hospital facilities, commenced in 1962, has shown progress. By the end of 1963, we expect to have passed the half-way mark in a more than $40 million expansion programme involving some 57 hospital construction projects. Construction programmes are currently underway in 12 institutions while another 20 projects are expected to begin in the coming year.

Since its inception the Hospital Plan has been faced with the problems of increasing cost.

In 1959 the gross cost of operation was $27 million or $31 per capital. In 1963 we anticipate that this will be $43 million, or a per capita cost of $45. It is obvious that this increase of 45 percent in four years is the object of legitimate concern to the. Manitoba Hospital Commission and to the public generally whose taxes are required to help meet these great expenditures.

In 1963 the costs of health and welfare will be absorbing nearly 30 percent of our total current revenue or $39 million. If we add to this the costs of the Hospital Plan which do not come directly into our current budget, for our account includes only the provincial subsidy and hospital services tax payment, it is obvious that this increasing impact creates its own limitations. There are very real if not precise limits to the extent that our economy can support the ever-growing costs of social services. Good as these services are in themselves, they necessarily are dependent upon the more directly productive forces of the economy for their support. Hospital costs indicate the essential need for economy and efficiency: We look to the autonomous hospitals for full support in our efforts toward this end.

As I have stressed in previous Budgets, expenditures in education, welfare and health responsibility together comprise one of our soundest economic investments. In 1963-64, we anticipate a combined investment in this human resource sector of the Provincial development amounting to some $84.5 million - about one third of all current and capital account commit­ments for the fiscal year.

I believe the prospect for Manitoba's progress in the coming year is most encouraging.

We are successfully continuing that transition between a dependency on primary resource production to a diversified and resilient economy. Our country enjoyed nearly the best rate of overall growth experienced among the nations of the free world last year. To this our Province contributed substantially. We know that the future will not be easier than the past, but we know as well that the future will bring far greater opportunity for us if we have the initiative, the' imagination and the courage to grasp what it can make available to us.

Whatever may be the final disposition in the changing trade patterns in Europe; whatever new economic arrangements may be developed with United States and other hemispheric partners; whatever may be the challenges placed before us by newly emergent communities and whatever risks and dangers may beset us in the months ahead - we have substantial means to meet every challenge as an opportunity. We shall succeed in realizing the full potential of our opportunities if we are prepared to put to the task our capabilities and our maximum energies.

Provincial- Municipal Relations

In the progress of our Provincial community there is no greater contribution than that generated by the endeavours of the people themselves through their local communities. In recognition of local government as the most important instrumentality by which progress can be achieved, the Government has emphasized assistance and encourage­ment to local effort as fundamental.

An average increase in aid to local government each year since 1958-59 of some $7.6 million in direct and indirect support contributions by the Province has expanded the total municipal aid from the Provincial treasury to a total forecast of $80 million for 1963-64. Very nearly 60 percent of Provincial revenue is thus being directed to local government support and development. The range of local services and facilities being directly or indirectly assisted includes every major function and responsibility of local government. Educational aid has almost doubled in the past four years. Social assistance has been very substantially expanded, mainly at the expense of the Provincial treasury. Road building in both the Provincial system and the inter-connecting municipal systems has been given the greatest support in the Province's history. Drainage, water supply, sanitation and many other basic necessities of the local service structure have received substantial direct and indirect assistance from the Province.

Total Provincial aid to the local taxpayer in Manitoba now approximately matches his own aggregate local tax. We have succeeded in relieving the local taxpayer of an amount equal to the weight of his current taxes. Provincial aid has been growing at roughly double the annual rate of growth in municipal levies in aggregate. This has been a very real contribution toward the reduction of local tax burdens. But we are aware of the financial problems facing local government. With these foremost in our minds we have established the Royal Commission on Local Government Organization and Finance which will have the two-fold task of defining the problems and recommending possible solutions. This work has been placed in capable hands. Under the chairmanship of the Honourable Roland Michener, P.C., Q.C., supported by the Honourable Judge John Thompson, Mr. Donald Campbell, Q.C., Dr. Murray Donnelly, and Mr. James McInnes, C.A., the Commission will, I am confident, contribute much to the satisfactory solution of the complex problems affecting local government.

I hope that a preliminary report will be available before this House meets again, in 1964. The Metropolitan Winnipeg Review Commission, for which provision was made at the last Session of the Legislature, has now been convened under Dr. Lorne Cumming, Q.C., as Chairman, with Mr. Sydney Halter, Q.C., and Mr. Russell Robbins, as Commissioners. The Commission is advancing in its studies of the special problems affecting the Greater Winnipeg area. It has been reported to us that a substantial number of detailed submissions have been received and that these and other relevant matters have been under close study by the Review Commission for some time.

In the meantime, as I have noted, the Province will be contributing $80 million in aggregate aid and support for continuing local development in 1963-64 - up some $9.3 million over 1962-63 estimates. Our local taxes remain the lowest of any western province. Our local economies are the beneficiaries of one of the widest ranging government support programmes for industry and related enterprise. Our people are enjoying their highest level of earnings and productivity in our history. We may say, with reason, that our problems at the level of local government, however formidable, can be met.

Dominion-Provincial Relations

Our experience for 1962-63, the first year under the tax collection agreements and their attendant fiscal arrangements between Canada and Manitoba, on the whole has been satisfactory. Revised estimates of the basic tax-sharing payments which will actually be received in respect of the fiscal year 1962-63 - exclusive of Hospital Services Tax revenues - are set out in a table, together with a preliminary forecast for 1963-64.

The $2 million increase in personal income tax collections estimated for 1963-64 is in large measure attributable to the progressive nature of the fiscal arrangements with Canada whereby, with the Federal Treasury withdrawal by an additional one percent from the personal income tax field, our share increases correspondingly for the coming year. This progressive withdrawal will continue cumulatively by one percentage point per annum for the life of the agreement.

The importance of this advantage can be clearly understood when it is realized that the 1961 drought effects on personal income and on business earnings have yet to work their way through the fiscal system. This is particularly true of corporate earnings which are reported over a considerably extended fiscal period. With contraction in the profits thus constricting ordinary growth in tax receipts, the additional abatement of federal tax liability has been a most welcome and necessary advantage to our economy. We are in fact able to forecast a net increase in these aggregate tax collections and guarantee revenues of nearly $1.2 million for 1963-64 over 1962-63.

The Hospital Services Tax now forecast at $7,237,000 for 1962-63 will total to a forecast $7; 643,000 in 1963-64 and will thus provide an increase of over $406,000 in support of hospital services in the Province. '

We have also received retroactive adjustment in our arrangements in respect of the Dominion-Provincial Tax-Sharing Arrangements in force in the 1957-62 period, as a result of revisions in population following the 1961 census. Some $2.9 million in additional revenue has been received in respect of the fiscal years 1957-58 through to 1960-61, following from revised equalization computions utilizing corrected inter-censal population estimates. This amount, along with an adjustment of $1,081,000 for 1961-62, has been taken into revenue in 1962-63 and is shown as having been received in that fiscal year.

While, as I have said, we regard the financial experience under the new fiscal arrangements with Canada as satisfactory on the whole to date, we have nevertheless not departed from the Province's traditional position in respect of these matters. As I have emphasized on more than one occasion in this House and at Federal-Provincial Conferences, we remain firmly convinced as to the necessity of greater recognition of provincial responsibilities through Increased-tax-sharing and the full acceptance of the principle of equalization.

The attitude of the Premier of Quebec as expressed in his recent Budget address supports this position in a very firm way. We, in Manitoba, are, I think, united in the opinion that anything that is done must be consistent with our national purposes, but it is the Government's view that this can best be achieved by a realistic recognition and acceptance of the need of the Provinces for the financial means to meet their growing responsibilities.

It is evident that the new Prime Minister of Canada accepts this view for he made it quite clear that his party, and now presumably his Government will apply the principle of equalization based on the revenues of the richest province. Nor is it many weeks since the National Council of the Liberal Party is reported as having unanimously adopted a resolution calling for a greater equalization and increased sharing of those tax fields with which Canada and the Provinces are both concerned.

There are matters that can only be settled. by reasoned negotiations in a co-operative spirit and it would, I think, be proper for the Federal-Provincial Fiscal Conference to be reconvened at an early date. I will be prepared to present this Province's case at that time.

FINANCIAL REVIEW

It must be recorded as a fact that Government will continue to occupy a vital and probably growing role in our economic development. This is not to say that it should assume responsibilities that can, as well or better, be assumed by the people themselves. Rather it must be prepared to play its part and be fundamentally concerned that the most favourable conditions for economic and social growth and development are created and maintained. This is the basic premise of our programme.

Public Debt

While the net amount outstanding on capital account has increased by $15 million over the past twelve months it has done so in line with deliberate policy based on our analysis of the needs of our people. Men do not hesitate to invest in endeavours where the return is assured. Neither does this Government. Our credit policy is an important tool in stimulating the growth of employment in particular and the economy in general. It has passed the tests of the past five years with obvious benefits to our people.

There are, of course, some practical limits to the extent of such future commitments, but from the high regard in which the credit of this Province is held in the money markets of the continent it is clear that this point is far from being reached. Our interest cost continues to compare favourably with similar governmental obligations. For example: 5 1/2 percent long-term Manitoba bonds were being offered on March 15th of this year on a 5.37 percent basis; Ontario's were at 5.31 percent; Quebec's, Nova Scotia's and Saskatchewan's at 5.41. Government of Canada’s 5 1/2 were on a 5.20 basis.

Once again, I should emphasize that the burden of debt should be gauged not by its absolute size but by the ability to assume its costs. The best measure of this is the relationship of interest charges and amortization of discount costs to total revenue. In the fiscal year ahead of us, we estimate that it will take slightly more than 4 percent of our current revenue to meet these costs. In 1945 it would have taken two and one-half years' revenue to retire the net debt, while today one and one-quarter years' revenue would suffice, as indeed it did in 1962.

An examination of purposes shows a reduction in our direct utility investment as the Hydro Board and the Telephone System assume their obligations in their own names. Our investment in tangible assets makes up almost the whole of the direct responsibility of the Province, confirming the nature of our investment.

Transactions

As in the previous year, our public financing was confined to utility borrowing with a small issue for the University, under our guarantee. Apart from Treasury Bills, the direct needs of the Province were met by the second issue of Manitoba Savings Bonds which produced over $20,000,000 at an interest rate of 1/4 of 1 percent below the previous year. This same general policy will be followed in 1963-64 and the third Savings Bond series will likely be issued in a few weeks. '

In February of last year, the Province undertook to offer $1 million a week in 91 day Provincial Treasury Bills. Despite the instability of the money market during past months which made these short-term loans somewhat less advantageous than originally expected, our experience can be considered as a successful one with savings of at least 1 percent compared to the cost of other forms of domestic borrowing.

It has not been our policy to borrow in foreign markets except when conditions indicated it was definitely advantageous to do so. Over the past several months, however, the spread between long-term interest rates in Canada and the United States became increasingly great. When we examined the situation in January last, we found that a 20-25 year loan in Canada would have had to be sold at a yield of close to 5.50 percent. On the New York market we could secure similar funds at half the financing cost, for a rate of 4.90 percent to the investor there, and when the premium on the proceeds is taken into account, the actual cost to us in terms of interest is reduced to 4.41 percent.

With these facts in mind, we made arrangements with two Canadian groups, with the participation of a leading New York house, to negotiate a private placement in New York for Manitoba Hydro in the amount of $25,000,000 (U.S.).

It gives me a good deal of satisfaction to advise the House that the loan was rapidly and successfully placed at the lowest interest rate secured by any Canadian government in the United States, including the Government of Canada and the Provinces of Saskatchewan, Alberta and Quebec, in the period since the withholding tax was imposed in December, 1960.

It is obviously true that Manitoba Hydro assumes an obligation for repayment of the loan in U.S. funds after the term of 25 years has elapsed. But the long term trend of exchange is such that the premium secured and placed in reserve against the possible requirements for U.S. funds at maturity is more than likely to be adequate for the purpose. This has been done on the advice of the Board's auditors. There is a further protection in the fact that the Board retains the right to call these bonds after twelve years and is thus in a position to take advantage of any favourable conditions prevailing in either the money market or in foreign exchange over the last thirteen years of the Issue,

We have continued the conservative policy of setting aside adequate reserves for all debt over one year in term. The Retirement of Debt Act provides that sinking funds with respect to dead-weight debt shall be paid into the reserve at a minimum of 3 percent of the principal amount outstanding in all borrowings over one year in life. This arrangement, at a 4 percent earning rate, provides for the retirement of a loan in just over twenty-one years.

In the case of the Utilities, 1 percent of the amount outstanding at the end of the previous fiscal year is required, plus 4 percent on the accumulated balance in the sinking fund account.

As at December 31st, 1962, our sinking funds and other funds held for debt retirement totalled $53.8 million of which $38.2 million was attributable to self-sustaining debt and $15.6 million to our direct debt.

Guarantees

Our policy with respect to guarantees remains unchanged. They are restricted to those government agencies and others which in aim and function are distinct from the regular departments of government whose activities are a charge upon the Consolidated Fund.

Local Government Borrowings

Improved conditions for local government borrowings have continued in Manitoba. The co-operation between the local authorities and The Municipal Board has been a fruitful one and is reflected in the state of the market for these municipal and school debentures. Rates were secured during the year comparable with those prevailing for similar securities anywhere in Canada. Through the facilities of The Municipal Board, and with its direct assistance, $8.2 million of school debentures were sold. In addition the Board participated in the disposal of $2.5 million in municipal and hospital district securities.

Efforts have continued to improve the information available to investors and this, along with the trustee agreements and improved marketing methods, has been responsible in substantial measure for the higher acceptability which these smaller local credits now enjoy. Increased emphasis is being placed on developing local interest in the securities of the inves­tors' own districts as it is considered most helpful in promoting a favourable attitude and responsibility toward local government matters.

Revenue and Expenditure - 1962-63

Revenue

The original budget estimate for revenue in the fiscal year 1962-63 was $121,520,300. Indications are, prior to final closing of the books of the Province, that this will be substantially exceeded and will total $128,980,592, or an increase of $7,460,292.

This is due in large measure to increases over estimated amounts in the following revenue headings. They're listed here Madam Speaker.

* Gasoline Tax, $600,000
* Corporation Income Tax, $615,000
* Succession Duties, $533,000
* Stabilization and Guarantee Canada-Manitoba Tax-Sharing, $299,000
* Agreement (Adjustment Payment), $4,043,000
* Liquor Profits, $502,000
* Mining Royalties, $132,000
* Transfer of Surplus, $816,423

There were a few decreases, principally Individual Income Tax, $231,000, and Land Titles Fees, $99,742.

Expenditure

The main Estimates for 1962-63 were in total $121,264,196. Our last revision prior to final closing of the books indicates a total of $121,382,132, or greater by $117,936.

The result is a surplus on current account of $7,598,460 which is being carried forward into the next fiscal year to provide stability in our revenue position.

Taxation

In recent months, and particularly during the last Provincial election campaign, there has been considerable public discussion as to the likelihood of a general sales tax in the Province. On November 22nd, 1962, when speaking to the Union of Manitoba Municipalities, I made reference to this question in the following terms:

''I foresee no immediate or substantial change in the present tax structure in Manitoba, indeed I suggest no responsible person will forecast any at this time, certainly not in advance of the intensive inquiries into the needs, capacities and capabilities of all three levels of government."

This is still my view, and a Provincial sales tax is not included in these proposals. But the essential needs of a. growing economy do demand more revenues to pay for the new and expanded programmes that the House has already approved. In the search for such revenues I have tried to find it where it would have the least burden on our development. For this reason I have turned to the field of luxury taxes and am recommending to the legislature a tax on the purchase of tobacco products. This would be at the rate of one-fifth of one cent on each cigarette with corresponding charges on cigars and other forms of tobacco.

Three Canadian provinces already have similar taxes on Cigarettes and tobacco - Quebec, Prince Edward Island, and New Brunswick - while in all the other provinces except Alberta and in this one, they are subject to retail sales taxes. In United States forty-seven of the fifty states apply this form of taxation.

The individual impact of this tax is not great but by its very volume it becomes a substantial revenue producer capable of yielding about $3,500,000 in a full year. In the present fiscal year we are estimating $2,250,000. The average smoker in Manitoba smokes less than a pack of twenty Cigarettes a day - to be exact about 288 packs a year. Under the proposed law, at 4 cents a pack, his annual tax would be $11.52 or less than a $1.00 a month. For the cigar or pipe smoker the total charge will generally be even less. Smoking is a matter of personal choice and decision and as such is suitable for luxury taxation.

The tax will be administered in a manner generally similar to that used in the tax on gasoline.

This time last year I announced that it was my intention that the tax adjustments proposed in the Federal Budget of 1962 would be reflected in Manitoba law. This has been done in so far as individuals are concerned. However, after negotiations with the Government of Canada, I am advised that it would not be possible under the Collection Agreement to extend the sales tax incentive provisions to the Provincial part of the corporation income tax.

I did consider the possibility of applying such a credit on our own but this would have been a difficult and expensive operation. In view of the present Royal Commission on Taxation which is actively engaged in this area, I have decided to defer any such action for the time being. When the Royal Commission on Taxation reports, the 'question of taxation and incentives will be reopened for a thorough examination.

Revenue and Expenditure - 1963-64

Revenue

A substantial increase is shown in the estimated revenue returns for the present fiscal year amounting to $14,695,333. We have based our estimates on a continuing growth of the economy reflected in an increase of about 3 percent of the Gross National Product. The increase is made up of a number of items, and the most important are listed:

* Gasoline Tax, $1,300,000
* Motive Fuel Tax, $250,000
* Individual Income Tax, $2,195,000
* Corporation Income Tax, $741,000
* Succession Duties, $785,000
* Tobacco Tax, $2,250,000
* ARDA Agreement, $672,000
* Liquor Control, $1,427,000
* Mining Royalty, $140,000
* Game & Fur Licences & Royalties, $156,000
* Auto & Drivers' Licences, $1,450,000
* Unemployment Assistance Agreement, $384,000
* Transfer of the Deferred Revenue Reserve, $3,854,366

To off-set these gains, some revenue losses are expected:

* Equalization & Stabilization, $918,000
* Guarantees School Lands Fund Interest, $394,000
* Other Mining Revenues, $108,000

The loss of the School Lands Fund interest from revenue is due to its dedication for the special purpose of grants to affiliated colleges, instituted this year.

It is a matter of some regret that I find it necessary to propose the introduction of coloured gasoline and motor fuel for tax-exemption purposes. This, of course, is not a tax increase but it is an administrative change which does have important implications for revenue. A study over the past year of all the facts available in Manitoba and a close comparison with the other three Western provinces (all of which use coloured gasoline) has convinced us of the need for this step. Under the present system it now appears that revenues of more than half a million dollars are being lost annually to those who are abusing the present tax-refund system for gasoline and motor fuel. With the introduction of colour, the great majority who fully accept their tax liability in this respect will suffer little inconvenience (and indeed in contrast to the present refund system, they will receive their tax exemption on the spot at the time of purchase). Those who fail to accept their tax liability can more effectively be brought to account. It seems only just and fair to the public who pay their taxes as they should that this situation should be remedied in respect of the minority who are delinquent.

Expenditures

As is the custom in this House, Estimates for the new fiscal year have been fully discussed in the Committee of Supply. References to the tables and charts accompanying this statement will give all pertinent details. It is sufficient here to record that while the ever increasing demands for government services have brought an increase in our current budget of $14,797,045 over the last year, to a total of $136,061,241, I am again able to present a budget with a surplus of $154,392.

Capital Programme

Our capital programme continues to make its substantial contribution to the Provincial economy. In this programme we have endeavoured to follow the principle of only incurring a continuing debt where there is an earning asset to off-set its costs. The clearest examples of this are of course the utilities but the same principles apply to such projects as highways where the return may be less direct but none the less real.

You will have already noted that a very large part of the water control expense, as it relates to the Red River Floodway in particular, has been charged to revenue account. While the Floodway is as much of a permanent asset as any other public work, I am nevertheless, in view of the more indirect nature of its return, recommending that as far as possible its costs should be treated as a current charge.

An appropriate capital programme table has been included in the data papers appended for your information. What has been put before you is a careful but comprehensive programme of investment dedicated to the economic and social growth of this Province. I believe our people fully understand that the Government must be and is prepared to assume its fair share of responsibility for the capital investment of the country.

Forward investment is necessary to provide the productive assets our Province must have for growth and development. Without such growth and development the future holds only limited promise for us or our children, as the Report of the Committee on Manitoba's Econo­mic Future so clearly confirms.

The Developing Economy

The Report of the Committee on Manitoba's Economic Future - Manitoba 1962-75, has attracted a great deal of attention inside the Province and out. This report did not come about by chance. It was preceded by a great deal of thought and concern for our future. Those of you who have read our submissions to Federal-Provincial Conferences, to the Royal Commission on Banking and Finance, and that arising out of the Conference of Premiers will know that the Government regards the problems of the future now clearly facing us as a challenge to our energy and ingenuity. To quote briefly from the submission to the Royal Commission on Banking and Finance, "…the achievement of an economy that has well developed primary, secondary and service industries is the basis of our concept of an internally balanced regional economy which contributes most satisfactorily to a sound national development." And again, "It is our philosophy that Government has a responsibility to create the conditions wherein the type of industry described will develop in an atmosphere conducive to its success. "

This is a national problem, of course, but in a Federal state there are important provincial responsibilities as well. It has become more and more obvious as our economy has developed that the provincial influence is an increasingly important one, far beyond the scope envisaged for it when this country was founded nearly one hundred years ago.

As this country has grown and as our economy has developed, an increasing responsibility for growth has fallen to Provincial Government. Provinces and their municipalities now control close to half the public expenditure in Canada. It is only ten years ago that this pro­portion was closer to one-third. In our submission to the Royal Commission on Banking and Finance we estimated that capital expenditure of the Provincial Government and its agencies made up about 35 percent of the total capital expenditures in the Province and this is supported by reference to national figures. There is nothing in the report of COMEF to suggest that Government role will be relatively less in the years ahead. While Manitoba is primarily a free enterprise and private initiative economy, the growing importance of provincial governmental activity in terms of economic growth must be accepted and understood.

The economic philosophy of this Government is reflected in its positive action in many fields. We have put into effective terms .our belief that government's responsibility in a free society is to guide, prepare and assist its people to achievement through their own efforts. This we have done through many channels, direct arid indirect. The development of our utilities, the extension and improvement of our highways, water control and conservation, the advance of all phases of education, agricultural research, agricultural credit, business credit, trade development, urban redevelopment and many more - all are aimed at the stimulation of enterprise. These are aside from any of the important social advances that we have sponsored over the past five years.

We find a clear and concise exposition of these ideas in that chapter of the report of COMEF which deals with a recommended programme of action. To quote in part,… "The role of Governments is to create a favourable climate for such private action. It must act as a catalyst by instituting those measures and programmes which will encourage the private sectors of the economy to help themselves."

The COMEF report has confirmed many of the problems with respect to our economy which we had suspected when we first set the Committee's task. As a result we have been able, at this session, to put before you a number of proposals for measures which we regard as necessary to the continued and accelerated growth of this Province.

First among these is a proposal which we have advocated on a broad national scale on several previous occasions. This concerns the establishment of the Economic Consultative Board as an advisory group to the Manitoba Development Authority (the latter being the Economic Committee of Cabinet), as well as to the public itself. As you will have seen from the legislation, the Authority and the Board are charged with furthering the economic development of this Province through a number of specific objectives. The Consultative Board will provide the Government and the public with the best and most widely representative advice of the leading minds in the basic sectors of our society as how best to achieve our goals.

We seek to make the Economic Consultative Board an agent of society by whose varying yet representative views we may be aided in our efforts toward growth and development of Manitoba. In effect, what we must have is a continuation on a more compact scale of that successful instrument, the "Committee on Manitoba's Economic Future".

But let me emphasize this, .for it is fundamental to our whole approach to these problems.

We are not in any way seeking, nor are we desirous of, shifting governmental responsibility. This will remain, as it must, with the Legislature, through the Executive.

However, there must also be more direct instruments for the implementation of policy than economic advice alone. Many of these already exist through the Government departments, the utilities, the credit corporations, etc., but other steps are essential. Therefore, we are introducing further measures leading toward our goal of co-operative development of the Province.

There is the Manitoba Research Council whose purpose will be the promotion and carrying out of research and scientific enquiries in the various segments of Manitoba's economy.

In this, we are building for the years ahead, not merely for the immediate present.

To aid in the broadening of markets for Manitoba producers we have proposed the establishment of the Manitoba Export Corporation. This corporation will not duplicate the efforts of other bodies in providing financial or other governmental backing for export trade. Rather it will provide special, provincially oriented help and expert "know how" - particularly to encourage small firms in the export field. If we are to achieve our goals, such expansion of our existing and potential markets is a necessity.

The third of these new agencies for progress is the Manitoba Design Institute whose purpose will be the development of improved design and quality in Manitoba industry. Provision is also being made for a products development fund to encourage the development and diversification of our industrial production. These we regard as having an important bearing on our emphasis on quality in our output. There will be other things to be done, and these will be brought before you as occasion demands and circumstances permit. To my mind, the COMEF report and the study behind it illustrate better than anything else the economic philosophy of this Government - that only through voluntary co-operation and joint effort can we prosper.

I would like to close these remarks with a brief quotation from an editorial in The Financial Times of Montreal. "In Manitoba business and labour and government have started a concerted effort to define and understand the roads to growth." There is little more to be said but there's much to be done.

Conclusion

In conclusion, Madam Speaker, this is the beginning of a new tenure of office for this Government. I think we can justifiably look back with a sense of accomplishment at the past five years, not with any feeling of self-satisfaction or complacency but with a renewed determination to see that the next few years are even more productive.

We are at an important stage in Manitoba's development, in fact in the development of the Canadian nation. We have before us important moves and decisions. With confidence and effort this Province can move on to an even more productive future.

Now, Madam Speaker, I move, seconded by the Honourable Minister of Industry and Commerce, that you do leave the Chair and the House resolve itself into a Committee of Ways and Means to consider the requirements of Her Majesty's Government in Manitoba for the fiscal year beginning April 1st, 1963.