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| Nouveau-Brunswick | 44e | 2e | Discours du budget | 6 mars 1962 | Lestock G. DesBrisay | Ministre des finances | PC |

Mr Speaker: In rising today to present the annual motion of supply, I would first like to offer my personal welcome to the two new members of this house who, although not contributing to a change in the balance of power on either side, will undoubtedly contribute greatly to the deliberations of this assembly over the next few years.

At the same time, Sir, I would like to express my compliments to all those who participated in the debate on the speech from the throne, but particularly the mover and seconder of the address in reply to the speech, my colleague Gilbert Robichaud from the city of Moncton and Mr. H. H. Williamson of Gloucester. Each of these gentlemen displayed remarkably well those abilities without which our system of government would not function. His Honour the Lieutenant-Governor also deserves the compliments of this assembly for his able and dignified presentation of the government's program to this house, and you, Mr. Speaker, are to be congratulated for the firmness and impartiality with which you guided the debates that followed.

And finally, Mr. Speaker, I must once again pay tribute to the Leader of the Opposition, a formidable but fair opponent and a man well versed in the problems confronting the province at the present time. Sir, I take this opportunity to express my good wishes to him for good health and long life in the position he now enjoys.

MESSAGE IN FRENCH

C'est un honneur pour mon collègue Gilbert Robichaud et moi de représenter la ville bilingue de Moncton.

Nous tacherons toujours de servir les meilleurs intérêts de tous les citoyens de cette ville progressive ainsi que ceux de la province toute entière.

Comme nouvelle procédure, nous offrons cette année, aux gens qui le désirent, un rapport en français. Nous espérons pouvoir fournir ce rapport sous peu.

ENGLISH TRANSLATION

It is an honor for my colleague Gilbert Robichaud and myself to represent the bilingual city of Moncton.

We will always do our utmost to serve the best interests of all the citizens of that progressive city as well as those of the province as a whole.

As a new procedure, we offer this year, to those who wish it, a report in French. We hope to be able to make this report available at an early date.

In the budget speech almost exactly a year ago I emphasized the importance of considering the budget as a policy document within the framework of prevailing political and economic trends at both the national and international level. Of particular importance at that time was the development at the national level of the fiscal arrangements to prevail as of April 1 of this current year; at the international level, the implications of numerous areas developing rapidly into nationhood, and the social and economic consequences thereof.

These considerations are still important although possibly we are now in a better position to assess the long-term effect which they will have upon us. As a result, both factors have a direct bearing, in association with other entirely domestic trends, upon the formulation of government policy and upon the budget which I am presenting to this house.

In this regard, international developments, including Britain's proposed entry into the European Common Market and President Kennedy's proposals for tariff relaxation, exert a positive influence on our government's policy. A vigorous response is necessary if New Brunswick is to be competitive in the type of international trading framework which will likely occur after the middle 1960's.

The federal-provincial fiscal arrangements provide neither the financial growth nor the flexibility which is necessary to permit provincial governments to develop policy in a manner consistent with their responsibilities under the British North America Act.

The budget for the coming fiscal year will therefore partly reflect these events and this administration's reaction to them. In the very narrow sense, the budget will be, and is, an indication of what the government intends to spend and how it intends to finance this level of spending during the coming year. In its broadest sense, however, the budget will be a much more significant document. First, it will trancend the experience of merely one fiscal year and lay the basis for a pattern of spending which should prevail for several years. Secondly, it establishes the pattern of policy which is necessary if this province is to grow, to develop and prosper during the remainder of this decade.

For New Brunswick particularly, the economic environment in which we find ourselves is not entirely of our own making. National and international economic trends have a most important bearing on the degree to which the provincial economy can expand. During the past year these trends have been most favorable.

I am certain, Mr. Speaker, that all hon. members will recall that at this time last year, in an attempt to provide an economic context for our financial plans, I made the following forecast — and I quote: "We, therefore, are anticipating a moderate degree of growth in the Canadian Economy during the fiscal year 1961-62. It is not likely that that growth will be any greater than that which we experienced during the past year. But in contrast to last year, it is very likely that whatever expansion that does occur will likely occur in the last half of the fiscal year '61-62 rather than at the beginning.

"For New Brunswick, this is likely to produce an economic environment quite similar to that of 1960, a fairly high level of industrial output, but with a fairly substantial number of persons unemployed due to declining activity as regards capital outlays for new plant and equipment in the private sector of the economy.

"This may well be offset by some increase to the extent of some eight or ten per cent in residential construction. In addition, we anticipate that the consumer in New Brunswick will perform in the same admirable fashion as in previous years, with the result that the volume of retail trade should expand to a minor degree by possibly three or four per cent." Sir, I draw the attention of this house to this statement, not for the purpose of judging its accuracy, but to point out that such a forecast can only be attempted after an extremely intensive examination of all the economic and statistical data available.

Needless to say we have again undertaken such an analysis and I will be presenting a further forecast which forms the basis for both the government's spending and revenue policies for the coming fiscal year.

However, as it turned out, the forecast of a year ago was a bit on the low side, although quite accurate as such forecasts go. Based on the statistical data available at the present time there was a moderate degree of growth in the Canadian economy during the past year.

The gross national product, after allowing for price increases, is estimated to have increased by just over two per cent in 1961, which is about the same as the 2.1 per cent increase achieved during 1960. Again, most of this growth in the gross national product occurred in the last part of the year. Housing outlays and business investment achieved substantial gains in the third quarter after reverses during the earlier part of the year.

Additional factors which assisted in this upward movement in the economy include substantially higher levels of government spending based to a great extent on deficit financing at all levels of government, and an upsurge in the volume of export trade. This upsurge in

export trade came as a result of the movement of the United States economy into a more rapid rate of recovery and a continued period of economic expansion in Western European markets, both of which provided substantially broadened markets for our Canadian export industries.

In addition, the declining value of the Canadian dollar, which began a gradual fall in the autumn of 1959 and then moved sharply down below par in the early summer of 1961, played a significant role in providing Canadian exporters with an additional profit margin, particularly in the highly competitive American market.

As a result of these factors, industrial production and employment rose to new highs, with labor income and consumer spending rising less rapidly. Although the volume of new investment declined nationally, this was largely offset by in-creases in government spending and a higher level of exports.

Partly as a result of these national trends, and partly due to the upsurge in residential construction, the New Brunswick economy continued to expand at a moderate rate. In spite of the importance of such national and international factors to the New Brunswick economy, the major factor in our growth came as the result of forces much more local in character.

As the result of a rapid increase in activity in the last part of the year, the construction industry enjoyed one of the biggest years on record. As measured by the value of building permits issued for construction, the industry had its most active year in recent times. The value of such permits rose to a level just under $30,000,000 for 1961, representing nearly a 33 per cent increase over 1960, and over 11 per cent higher than 1959, which was the previous record year.

Instead of increasing by the anticipated eight to ten per cent, the volume of new residential construction obviously rose by nearly twice that amount, with the number of new houses started increasing by nearly 17 per cent and completions by nearly 15 per cent. As a result of these factors the volume of new capital investment undertaken in the province during the year exceeded the forecast by over $3,000,-000 — much higher than the national average.

The result of this expansion produced an increase in employment of over three per cent; at the same time, the volume of unemployment was some 15 to 20 per cent below the levels of a year ago. Generally, most areas of our economy enjoyed this growth. However, the large gains were confined to the manufacturing industries. Although both retail trade and the output of lumber increased during the year, some primary industries clearly did not share in the results of the 1961 prosperity.

Perhaps the most obvious example in this regard is in the field of agriculture. During the year there was a substantial decline in the farm cash income received by the farmers for their efforts. This level of income had little to do with the efforts put forth by our farmers, but was almost entirely the result of a particularly severe downward movement in the price of one key agricultural commodity — potatoes.

The degree to which one entire segment of our economy can be penalized by a price fluctuation with respect to one commodity very clearly indicates the pressing need to broaden the base of our agricultural developments. Also, it points to the need to further increase better utilization and processing of our resources in this field.

In this respect, some steps have already been taken to shift agricultural resources into those industries, such as beef and pork, which offer a much greater potential for development by New Brunswick farmers, and I am certain that my colleague, the Minister of Agriculture, will be outlining these policies to you in more detail later in this session.

There are no short-term answers to these current unemployment problems, and it would appear that the only real answer is in developing alternative employment in other fields of endeavor. Unless this is done, no matter how buoyant the economy, these problems will continue to persist.

Our view of the coming year is one of optimism, and one which is based on a careful assessment of current trends and those for the year ahead. On the international front, an important factor to consider is the growth potential of U.S. economy during the coming year and the implications which such growth will have for Canadian export industries.

During the past year, the United States economy increased greatly, and this is expected to continue in 1962. Reliable forecasts point to 1962 gains of over eight per cent in the gross national product, over ten per cent in business purchases of plant and equipment, some seven per cent in the level of spending by individuals, and again, to large increases in spending at all three levels of government.

In fact, budgetary policy in the United States has been based on this forecast of economic growth, and the impact of this budget itself will cause a further definite expansion.

Regardless of the degree to which such forecasts are accurate, this United States expansion, combined with the current discount on the Canadian dollar, will provide for an increase in Canadian exports during 1962. In addition, the expanding economies of Western Europe and Great Britain will further assist in enlarging markets for Canadian exports. Given the close relationship between the economies of Canada and the United States, it could generally be assumed that there will be more economic growth in Canada in 1962 than was the case during the past year.

The pressing question at this time seems generally not to be whether there will be growth in the Canadian economy, but more a question of how much growth. In this regard, there are a number of varying opinions, A large number of people believe that the current economic situation will continue to improve and that, in fact, 1962 should see a growth in gross national product of some seven per cent over 1961 — the highest since 1956.

Of course, there are additional reasons why the economy is going to grow during the coming year. Particularly, the level of new investment in fixed assets in Canada is expected to rise by some six per cent over the level of 1961.

In addition to this, there will likely be substantial expenditures in the private sector of the economy to rebuild inventories which have been reduced during the past year. Based on the current levels of sales and orders, rapidly rising corporate profits and the expectations of rising prices after 1962, this factor could generate a considerable volume of production, employment and income during the coming year.

Furthermore, as has been customary during the past ten years, it can be almost automatically assumed that spending by all levels of government in Canada will continue to rise. Since such spending constitutes nearly 30 per cent of the gross national product, this factor can be a most important determinant of the level of economic activity. However, it is likely that the major factor during 1962 will be the level of consumer spending.

Statistics on retail trade have been most erratic over the past year and although no clear pattern has emerged as yet, there has been much growth at the national level. Following the pattern of previous postwar recessions, this is not surprising, since consumer spending generally tends to lag behind, both in periods of recession and recovery.

Furthermore, shifts in the pattern of spending towards services from goods are not entirely included in retail trade data. Therefore, such considerations indicate, along with the buildup of the volume of consumer credit, rather large increases in consumer purchases, but certainly not as much as the seven per cent forecast for the United States.

These factors will provide the broad framework for economic expansion in New Brunswick during the coming year. The expansion of export markets, along with higher levels of national investment and consumer spending, will greatly influence the rate of growth in New Brunswick during the next few months. However, as was the case during the past year, the main forces generating higher levels of activity will be local in origin.

It is estimated that the level of new capital investment to be undertaken in the province during 1962 will be some five per cent greater than that achieved during the past year. Much of the investment in this area will be in the field of residential housing, and the construction industry will accordingly benefit from both this and institutional building programs in the province.

In addition, it is anticipated that the level of consumer spending in the province will increase at a rate nearly twice as great as the annual rate of increase during 1961. Provincial government will also be playing an important role in assisting the economy to move to higher levels of economic activity.

Added to these growth factors which are already in operation in the New Brunswick economy are a number of other large capital projects which will provide broad benefits. With construction scheduled to begin almost immediately on a number of these projects, their impact on both employment and , .income will be felt throughout the entire year.

We are accordingly looking for a substantial improvement in the New Brunswick economy during the coming fiscal year. By substantial I mean an annual rate of growth which will equal, if not surpass, anything that this province has ever seen. This improvement is already in evidence. Accordingly, we anticipate that the annual rate of growth at the national level will approximate twice the rate achieved during 1961, that is, an increase in the gross national product of slightly more than five per cent.

This will entail larger increases in the volume of production, employment and consumer income, but will entail as well, at least as far as this province is concerned, two important weak spots in the economy — agriculture and seasonal unemployment.

This, then, Mr. Speaker, is the economic base upon which the government has formulated both its expenditure and revenue policies for the coming fiscal year. However ; — and I must emphasize this point — these policies must be considered within the framework of our long-term problems; the buoyant economic situation which we expect in the immediate future merely provides the initial means by which such policies may be started.

Within the framework of the economic background which has been outlined, I would now like to turn to the present and future financial implications of these trends.

In this regard, all hon. members will recall that the public accounts for the fiscal year ending 31 March 1961 have been tabled and they reflect, with precision, the financial results of the operation of government for that period. They show a deficit on current account of 6.3 million dollars, which is approximately equal to our forecast deficit as contained in the 1961-62 revenue and capital account budget.

Any review of the financial results of the current fiscal year must be conducted generally within the framework of the policy objectives as outlined in the budget address a year ago.

Very briefly, these objectives were the maintenance and creation of higher levels of employment through the proper use of public funds; the increase of benefits to the people from various government programs, but at minimum administrative cost; and finally the continuation of existing high levels of health and welfare services throughout the province. During the past year, the government has been successful in attaining these objectives in varying degrees.

In regard to employment policy, the current fiscal year saw the largest program in the history of New Brunswick designed to cope with the problem of seasonal unemployment — both through the creation of employment directly through the use of public funds, and substantially increased expenditures to provide training for those unemployed, to assist them in developing the skills necessary to obtain mere productive year round employment.

Also with a view to the long-term solution to the problem of unemployment, the government stepped up its efforts to further industrialize the province, and a number of plants in process of construction demonstrate the effectiveness of these efforts.

With regard to the second objective — maximum service at minimum cost — a great deal has been accomplished in the few months which have elapsed since the fiscal year began. We have used these months to intensively and extensively examine the whole field of public administration in the provincial government, with particular reference to financial administration, and from this there seems to emerge a pattern. It is now clear that to effectively streamline government operations there will be required a great deal more coordination, control and flexibility in the entire spending process.

Accordingly, a number of procedures have already been centralized in order to obtain economies without affecting either the quality or quantity of service. In some cases such centralization is desirable in an attempt to avoid duplication and therefore reduce costs, while in others it becomes essential in order to efficiently develop the service to the point whereby it can be used most effectively in the process of administration.

An example of the latter is the centralization of data processing in the Central Services Division of what will become the Department of Finance; and the desirability of the former has been demonstrated by the centralization of all procedures and payments with respect to government grants to various agencies and organizations. Here, a government Grants Committee assists the government in ensuring that no duplication exists and that grants paid are a reflection of the broad public interest.

The application of these same principles into other areas of administration is now being give careful consideration.

These policies, and those which are now in the process of formulation, are directly designed to provide for more efficient administration in government. To this end, those agencies in government whose direct responsibility lies in this field are being expanded.

The Civil Service Commission will now be able to increase its efforts in the organization and classifications fields; the Treasury Board is now being equipped to place greater emphasis on the measurement of performance as opposed to being a mere budget-slashing device.

Furthermore, during the year the Joint Council has met almost every month and, as a result, a variety of problems have been discussed and steps taken to provide solutions.

In general, Sir, the past year has been one in which almost every aspect of government management

has been carefully studied and recommendations brought forth which would provide for more efficient government administration.

In this connection, I would like at this time to take the opportunity to express the thanks and appreciation of this government to the many civil servants who have worked so hard to assist the government in this reassessment.

The third objective — to continue to provide a high level of health and welfare services — has been most definitely met in that a number of such services have even been extended during the current fiscal year.

In reaching these objectives we have had the benefit of a moderately growing economy, but additional revenues accruing from several sources have been largely offset by the fact that revenues from the gasoline tax did not rise in accordance with our expectations. As a result, total revenues for the current fiscal year are not expected to exceed the 102.2 million dollar level which we estimated in our 1961-62 budget.

On the other hand, expenditures will exceed this amount in the current year. In order to cope with the extensive damage to public property as a result of the extreme flood conditions prevailing on several rivers in the spring of this past year, it was necessary to allocate an amount of $2,000,000 above and beyond that incorporated in our budget.

In addition, this same natural condition resulted in abnormally high levels of maintenance spending in several parts of the province, particularly due to weakened roads and bridges. The types of property which were so badly damaged constitute a portion of the assets of this province, and in their nature make a substantial contribution to the conduct of business and economic affairs.

It was therefore felt that in order to ensure the continued development of transportation and communications in the province, it was necessary to immediately allocate funds for repairs.

In the field of health, it is expected that funds already allocated for the operation of the hospitalization plan will fall short by nearly $1,000,000 of the actual cost of operating the plan.

In our budget for the current year, we had included sufficient funds to provide for what we felt was a reasonable degree of increased cost for the operation of the hospitals throughout the province. It now appears that this amount was insufficient, for, in fact, it is estimated that actual costs of operating the hospitals in 1961 will have risen by nearly 15 per cent over the costs incurred during the previous year.

This represents almost an additional $2 for every day of patient care provided by the average hospital in New Brunswick. The only consoling factor in this is that the same situation existed in the period immediately prior to the current fiscal year, and thus represents the public response to a program which makes essential hospital care available to all New Brunswickers.

However, our costs in this particular field have been rising at a rate in excess of the national average. This represents something more than just the normal public reaction to a government program, since most of the other provinces in Canada have already introduced similar types of operation.

But, in fact, it is now becoming increasingly more obvious that certain elements of abuse have been, and are, creeping into the plan. There have been instances where this abuse has emanated from all those groups or individuals for whom the plan is designed to provide benefits — the medical profession, the hospitals themselves and the public at large.

This is alarming and one main principle should be borne in mind, that is, the hospital care plan is being financed with public funds from the general revenues of the province. Therefore, abuses which have the effect of overly inflating operating costs are actually being borne by all the taxpayers of the province. I might emphasize that this relationship between rising costs and rising levels of taxation is not a new one.

Mr. Speaker, the net effect of this spending program, combined with the lack of any unpredicted growth in revenues, has produced an expected deficit on current account .of approximately 6.2 million dollars : for the current fiscal year.

1 have already outlined some of the factors which have been instrumental in this regard, but would as well like to stress that I do not consider this situation either inherently evil or short-term. To the contrary, not only are a large portion of our revenues geared to national policy and events, but an even larger portion is geared almost directly to the development of federal policy in the fields of health, welfare and technical education.

The resulting national and local pressures for higher levels of spending, without at the same time providing similar increases in revenue, have placed not only this province, but the majority of the provinces of Canada in the same position. That is, a position whereby it will become increasingly more difficult to provide the demanded level of services without substantial adjustments to the tax base.

In other words, Mr. Speaker, this deficit situation is not a purely local condition, it is national in both scope and character.

A recent national publication using data compiled, by the Dominion Bureau of Statistics in Ottawa has indicated, with supporting tables, that all provinces except one in the current fiscal year will have deficits of varying sizes.

The average deficit expressed as a percentage of net general revenues is approximately 13 per cent — 13 per cent for the average in Canada. That for Nova Scotia is indicated at approximately 12 per cent of net general revenues. Our own estimated deficit was expressed at approximately 2.3 per cent of net general revenues — the lowest percentage of deficit of any Canadian province. In any event, Mr. Speaker, I do not use these statistics to indicate any more than the fact that it is a national problem confronting almost all provinces and practically every municipality. Needless to say, the federal government has been in approximately the same position for a number of years.

This does not intend to imply that one can afford to be casual about deficit financing in this or any other provincial government, but one must be entirely realistic about these matters. The fact is, that over the current fiscal year the combination of a natural disaster, rising costs and the inherent necessity of maintaining essential services have produced an excess of expenditure over revenues. I am not pretending to boast of this fact, but as well 1 am not offering any apologies.

Before turning to the fiscal year 1962-63, I would like to outline briefly the details in connection with provincial borrowing to date during the current fiscal year.

In May 1961, the province sold a 510,000,000 bond issue to a Canadian syndicate at a price of 97.40, and bearing a 5-3/4 per cent coupon —$1,000,000 of this 20-year issue was for refunding purposes, with the other nine being new money requirements. The issue is callable in 1979 and the net cost to the province was 5.975 per cent.

This is indeed expensive money, but it should be remembered that at this particular time the rate structure was such that a number of other provinces were obtaining their requirements at even higher costs.

More recently the province negotiated a 7-1/2 million dollar bond issue, dated Dec. 15, 1961. This took the form of $1,500,000 at 4-3/4 per cent for five years, selling at 97.57, and $6,000,000 at 5-1/4 per cent for 25 years and selling at 99.57. The net cast to the province of the short-term money was 5,31 per cent, with the long-term funds costing the province 5.45 per cent.

And now, Mr. Speaker, before outlining the main points of the government's program for the fiscal year commencing April 1, 1962, I feel I must reiterate some of the more fundamental points of policy which I have previously stressed, and as well point out some of the economic requirements which a provincial budget must meet.

Last year, I outlined our budgetary objectives and emphasized that they were not meant to be fulfilled in a single year, but that a number of years would be required in order to achieve any substantial improvement.

These objectives have not changed. We still must aim at providing higher levels of employment along with the necessary industrialization associated with it; we still must strive diligently for more efficiency in government operations, and while doing this we must continue to maintain those levels of health and welfare services which are so necessary to ensure a basic minimum living standard to all and to enable any person to receive the basic essentials of health care.

Last year I proposed a readjustment of provincial policy aimed at holding or curtailing certain expenditures in order to free provincial funds for utilization in those types of spending which would have a greater effect in the long run.

With respect to a great number of government programs, we have been trying to do this, and in some cases have been successful, while in others only moderately so. In these latter areas it should be emphasized that our efforts will be redoubled in. the years to come. As a result, I believe that the members of this house will find that, with a few exceptions, those programs which might roughly be classed as welfare are being confined to existing levels where possible.

This statement also holds true for a great number of other services which the government supplies to various sectors of the economy. In other words, we are attempting to move more in the direction of developing policies which will have long-term effectiveness.

Such policies are aimed at providing the appropriate type of environment for the acceleration of economic growth in this province over the next 10 years. This decade will see the development of intense competition in international trade, on both sides of the Atlantic.

The European Common Market will undoubtedly be expanded beyond the present concept of the inner six and this will transform the trading patterns of the entire Western European continent. This and other developments may well create additional markets for our production, and although raw materials are a surplus commodity at present, this will not always be the case. The existence of such re-sources may well provide the main advantage in these developments for the New Brunswick economy. In this respect we cannot hesitate to encourage the fullest possible development of our natural re-sources. If we delay, alternative sources may well be found in other countries or as a result of scientific developments.

During the past several months our assessment of existing and required government programs led us to the conclusion that full implementation would involve very heavy strain on the revenue side of the budget. Notwithstanding this fact, the government felt it desirable that any budget for the fiscal year 1962-63 meet the following requirements: First, it should be a budget which would maintain the current level of health and welfare services, as well as those other types of services which are normally expected of the government in various fields such as agriculture, labor, municipal affairs, etc.

Secondly, it should do nothing to act as a short-term deterrent to the type of economic expansion which is anticipated during the coming fiscal year; and thirdly, it should make a significant contribution to providing the type of long-term environment necessary to stimulate the rate of economic growth.

In our view, this latter requirement is most important, for to develop the pattern of growth consistent with the needs of the 1960's requires action immediately.

Clearly, the government was faced with a number of alternatives with respect to its budgetary policy for the coming year and these alternatives ware very carefully considered.

Mr. Speaker, you will notice that the estimates for some departments are lower than those provided for in the current year — a fact which represents the government's attempt to obtain administrative economies. The rates of expansion in departmental expenditures have been reduced by holding back the degree of program growth in some cases and by postponing additions to certain programs in other cases.

The end result, however, was that the government in its budgetary policy was faced with very limited alternatives. It could reduce expenditures to meet the level of anticipated revenues based on current taxation policies, or it could in-• "crease the level of taxes to meet the cost of proposed expenditures. In fact, we chose a course somewhat between these two extremes. Having regard for the high level of taxation in the province, We L therefore have not chosen to significantly alter the level of taxation, since we consider that such a policy

would be inappropriate to the present stage of development in New Brunswick.

There are a number of types of expenditures which cannot be deferred or postponed and it would be undesirable to continue doing so. Such expenditures are necessary and vital to the long-term development of the province and to dismiss them would do a great deal of harm. On the other hand, there are other types of spending programs which, in fact, are completely beyond the ability of a provincial government to control. In these cases, it would be only naive to expect that anticipated growth could be much reduced.

We have therefore provided for budgetary expenditures of $112,514,268, which will exceed estimated revenues by $3,916,155.

I realize, Mr. Speaker, that I am going to be rather severely chastised by the hon. members of the opposition for having the audacity to enter this house with a budget that is not balanced. Such criticism, and all that goes with it, will come as no great surprise to me, since it has been rather a long time since this house has been confronted with a similar situation.

But let me say (this, Mr. Speaker, that it has taken a great deal more courage to enter this house to announce a deficit than it would have taken to merely juggle the arithmetic and thus avoid it.

It is our view that it would be foolhardy to risk the long-term detrimental effect on the economy of striking out such programs as the trade and technical training capital expansion program merely to incur the short4erm pleasures of a balanced budget. We regard such programs and the associated expenditures as an investment in the future of this province and an investment in the people who are its citizens. It is also an investment that we are not afraid to make since we have full confidence in the future of New Brunswick.

Such programs and policies as we are developing will have the long-term effect of increasing the ability of the economy to be productive, and, as such, I have no hesitation in borrowing the money to finance them.

Furthermore, Mr. Speaker, I would like to comment on one specific barrier which confronts every provincial government in its formulation of budgetary policy. It will be noted that a substantial portion of the proposed expenditures for the fiscal year 1962-63 provide for programs, the cost of which is jointly shared with the federal government.

In these expenditures the province has very little discretion in whether the expenditure rises or fells to rise in any given year. For example, the announcement not too long ago by the federal government of increased federal payments with respect to old age assistance and payments to disabled and other handicapped persons has had the effect of adding more than $500,000 to the province's budget for 1962-63.

I must emphasize that this government has no objection to increasing payments to such persons, but we do strongly object to being placed in the position where we must do so with little advance warning and having had no opportunity to participate in the formulation of the policy itself. Most of the provinces of Canada have consistently objected to this type of policy formulation at the federal level which has the effect of severely infringing upon the autonomy of the province.

Such shared-cost programs nose a direct problem to this province because of the impact which they have on other parts of the total provincial budget. Most of such programs are becoming an increasingly more permanent part of our spending structure and in most cases involve the sharing of only certain aspects of a particular program. This leaves either the bulk of administrative costs or the real growth areas of the program to be taken up by the provincial treasury.

Furthermore, the financial arrangements relating to particular programs have been designed with practically no concern for the relative fiscal capacity of the province. This has a particularly adverse effect on the less wealthy provinces since our financial needs are largely in the field of development, while the bulk of the federal conditional grant programs is towards health and welfare services.

For example, it is estimated that in the current fiscal year over 75 per cent of federal disbursements for these functions will be for health and welfare purposes. Such services are badly needed, but all provinces are finding it increasingly more difficult to obtain the funds for those other purposes, such as education, in which the federal government shares very little.

We have found that these grant programs very seriously distort the priorities which the province might give to any particular function. It also has the effect of increasing the disparity between the ability of a wealthy province and a poor province to finance other non-grant services such as secondary highways and, as I have mentioned, elementary education.

Furthermore, there are no guarantees that federal assistance will be forthcoming on a continuing basis and as such there is always the distinct possibility that the federal government will cease to provide a share of the cost and that the province will be left to provide for the cost of the entire program. This is a very real consideration and has happened in several instances.

As a result, many of the budgetary problems confronting provincial governments today will continue to be present unless there is a great change in federal policy — a change in policy whereby the provinces will be given more discretion in selecting between the various shared-cost programs in which the federal government is prepared to participate. If such flexibility is not achieved, then the inevitable result will be a provincial government and a provincial legislature which is nothing more than a mere extension of the federal policy-making apparatus.

In commenting on the program changes and their financial effects with respect to the coming fiscal year, Mr. Speaker, I do not propose to undertake a detailed analysis of the activities of each department. This can be more appropriately and more competently undertaken by the individual ministers responsible. I shall, however, comment on those areas in which the financial implications are greatest.

In the field of health and welfare, as I have already indicated, provision is being made to enable increased payments under the Old Age Assistance Act and for similar increases in payments to handicapped persons. As well, we are providing for sufficient funds to cover the increased costs of the hospital care program, and for a continuation of the expansion of the activities of the Youth Division.

This latter provision, combined with increased funds for student loans, is part of the government's long-term policy of 'attempting to reduce the rate at which our young people leave the schools and to increase the rate at which they enter the universities and other institutions of higher learning.

Also under the heading of education it should be noted that this long-term approach to such, problems as unemployment is being attacked at two distinct levels.

Over the past year there have been several studies of both seasonal and chronic unemployment. Such studies have pointed to a significant relationship between such unemployment and extremely low levels of both elementary and technical education. Accordingly, the expanded trade and technical training program which began in the current fiscal year will be further accelerated during 1962-63.

In addition to providing substantially increased funds to increase the size of current trade and vocational training programs, the government will be providing sufficient capital to permit construction to begin on technical and trade institutes in five areas of the province.

An additional $5,000,000 has been provided in the estimates for the coming year to build technical and trade training schools at Bathurst, northwestern New Brunswick, St. Andrews, and a school to specialize in the fisheries field at Caraquet. . In addition to this, the government plans to proceed with a technical institute in Saint John at a total cost of approximately $2,000,-000, and this is subject to the construction of such an institute being consistent with the recommendations of the Royal Commission on Higher Education in New Brunswick.

In regard to the report of the Royal Commission on Higher Education, this commission is now in the process of preparing its report to the government, but it is not expected to be available for some time yet.

However, in anticipation of the fact that the commission will undoubtedly recommend increased provincial aid to the field of higher education, the government has incorporated in its estimates an amount of $750,000 which will be used towards implementation of the commission's recommendations. This amount shall be allocated in a manner consistent with the recommendations of the Royal Commission when received.

These two major expenditures for the coming year could have been stricken from the list as far as the budget is concerned, and accordingly our deficit would have been much smaller. However, this would have been an extremely short-sighted decision since the requirements of the economy of New Brunswick in the years to come will only be met by having available a highly skilled labor force and a well educated population.

For too many years now the field of higher education has been neglected and one has only to compare the contributions of provincial governments in New Brunswick to those of other provinces to underscore this neglect. We propose to remedy this situation in the coming year insofar as our resources will permit, in order to equip our people for the role which they must play in the years to come.

This is a further integral part of the government's policy of providing in the long term the type of economic environment which will be conducive to the most rapid rates of economic growth. A sound system of both elementary and higher education, combined with the facilities to provide the technical skills for a highly productive and competitive labor force, are basic essentials.

To undertake the necessary expenditures in the coming fiscal year within the framework of this policy has made essential a capital spending program slightly higher than that budgeted for in the current fiscal year. To produce this higher level of capital spending, we have made provision to reallocate funds from highway construction to the building program.

However, one basic element of road construction policy has been maintained at its existing high level, since it also must play a most important role in the development of

the economy over the next few years. I refer obviously, Mr. Speaker, to the roads to resources program, which is not being reduced.

Additional aspects of this policy to create the appropriate type of economic environment involve both taxation policy and policies to provide assistance to attract industry to the province.

With respect to taxation policy, we have not chosen, as have a number of other provinces, to increase direct income taxes and thus burden industry with an element of double taxation. We feel that such a policy would not be conducive to industrial location in the province.

With respect to policies to provide assistance to the location of industry in this province, such policies have been developed and others will be developed over the next few months. There is one such area of policy, however, on which I would like to comment at this time.

In many areas of Canada and in other parts of the world an important factor in the location of industry has been the availability of properly serviced industrial sites, such as have been provided in some parts of this province.

The availability of such sites would remove industrial land from the realm of real estate speculation and, if made available at less than economic cost to various forms' of secondary manufacturing industry, would act as a significant inducement to the location of such industry in New Brunswick.

Obviously, such sites could not be provided in all parts of the province, but since this would appear to be an area directly involving the municipalities, it is our intention to initiate discussions with them with a view to developing a joint policy whereby the provision of such industrial sites may be accelerated.

In order to complement and supplement this policy, two other provisions are included in the estimates for the coming fiscal year. First, the government proposes to establish a council on research and development — a council composed of citizens of the province whose experience, ability, and concern for the broad public interest admirably qualify them to make a substantial contribution towards the development of the provincial economy.

This council will undertake to encourage and stimulate increased research, both technical and economic, on the province's resources with a view to the increased utilization of provincial resources and their increased processing within the province,

In association with this, the council will act in a broad advisory capacity to the government in the field of economic development generally, but with particular reference to our resource-based industries. These two functions similar to those of the National Productivity Council are closely allied with the current efforts in Canada to increase productivity.

The government is providing immediately an amount of $50,000, in order to establish the council and it is our hope that New Brunswick industry, which will receive the direct benefits of the council's operations, will see fit to make contributions to the council from time to time. In this way, both the public and industry will encourage greater efforts in the fields of research, development and productivity. This will help to prepare for the periods of intense competition yet to come.

Furthermore, the government" has continued to provide the sum of $1,000,000 under the heading of the New Brunswick Development Corporation in the Schedule C section of the budget — a provision which has been made before but which has rarely been used. During the year we hope to utilize the fund to finance development.

Before briefly reviewing some of the activities in my own department, Mr. Speaker, I would like to comment on two items which appear in the General Government Vote. First, there is provision to finance the activities of the Royal Commission on Taxation and Municipal Finance and secondly, the provision of $1,000,000 in what is commonly referred to as the "Central Salaries Vote". This amount is to provide for increases in salaries and wages in the civil service.

During the past year, a committee composed of members from most of the departments of government along with the Civil Service Commission and aided by the services of an outside firm of consultants, have prepared a most extensive report on wage levels in the civil service.

This report has only recently been received and it is estimated that the recommendations would involve the province in an additional cost of approximately $1,000,000. Since there was not sufficient time to incorporate these additional salary costs into each salary vote, the estimated total amount has been placed in the Central Salaries Vote, so that it may be transferred to the various departmental votes as and when required.

In my own department, Mr. Speaker, you will recall that last year the government introduced a driver examining program and now that the first statistics are available it is interesting to note that over 32,000 drivers' tests were given during the year 1961. Of those persons taking written tests over 21 per cent failed, which we consider an extremely high failure rate and an indication of the great necessity for a program of this type.

Other developments within the department include the establishment of a Central Services Division. This was done in order to more adequately serve the needs of the several departments in such fields as data processing, and increased emphasis on the operations of the Treasury Board, as a means of exerting expenditure controls and developing more efficient administrative policies.

This latter move, particularly, has been long overdue and you will note increased provision for salaries and expenses for this operation.

This expansion of the Treasury Board will be accompanied- by the implementation of various forms of selective expenditure controls, including commitment controls. This latter control will be applied on a trial basis to four government departments and their estimates for 1962-63 have been set up with this in mind. The explanatory note contained in the estimates may assist in explaining some of the miner technical differences.

And finally, Mr. Speaker, I believe a brief comment on the tourist industry would be appropriate at this time.

The number of visitors to this province increased substantially in 1961 and pushed the value of the industry to an estimated $50,000,000. Fundy National Park continues to be one of the province's leading attractions and the number of visitors there rose by 54,000, nearly 25 per cent more than in 1960. Other parts of the province had similar experiences. Visits at Fort Beausejour, for example, increased by 33-1/3 per cent during the year.

Consequently, the government's travel promotional activities will be continued at a slightly higher level than in the current year. Also, New Brunswick is again cooperating with Nova Scotia and Prince Edward Island in the Maritime Cooperative Advertising Campaign. In this campaign, Ontario and Quebec publications will be used in an effort to increase the number of visitors from these two relatively near Canadian provinces.

Now, Mr, Speaker, I have outlined the broad aspects of the government program for the coming fiscal year and as well the economic and social considerations on which this program is based. During the next few weeks my colleagues in the cabinet will be providing considerably more detail with respect to the operations of their individual departments.

Looking at this program in the aggregate, it is clear that top priority has been given to programs in the field of both technical, trade and higher education and to expenditures designed to increase the productivity of the economy in the long run. At the same time, existing levels of health and welfare services have been maintained and even expanded in some cases.

The final result of these decisions has produced a deficit on current account of approximately 3.9 million dollars for the coming year — an amount which could easily have been reduced by either the contraction of certain programs or by the method of increased taxation.

As I have already indicated, we have not chosen to increase the burden of taxation. We do, however, propose to make a number of administrative adjustments in several policy areas during the course of the coming year. These adjustments will be primarily for the purpose nf increasing the efficiency of administration and to reduce some of the inequities present in the application of current regulations. Two of these are worth noting.

First, it is our intention to develop over the coming year a policy which, when applied, will have the effect of producing a single or standard motor vehicle license fee for passenger cars in New Brunswick, regardless of the type of automobile driven. Such a policy will have its basis in an assessment of the relative benefits which accrue to owners of various types of vehicles from our modern highway system. Clearly, where benefits are equal the tax should be proportionately equal.

Secondly, we propose to make a number of adjustments with respect to the collection of gasoline taxes in the province, particularly those which deal with the use of tax exempt gasoline. Such adjustments will be largely in the interest of reducing tax evasion and as a matter of principle are consistent with both the elements of sound public finance and proper administration.

Mr. Speaker, I have now outlined the general scope of our proposals for the year 1962-63, white at the same time emphasizing their importance in shaping a pattern of growth for the future. The compelling reasons necessitating the immediate implementation of these pro-grams are such that it will be necessary to increase our borrowing requirements in (the coming year. This, however, is an investment — an investment in the future of the province and an investment on which the returns will be substantial.

The shape of world events requires both vision and leadership if our province is to share in the developments yet to come. The government must provide such leadership and, I beg to submit, it is being so provided by the present government under the capable direction of our present Premier. Only in this way, Sir, can we develop the destiny of the province and its people.