| ***Province*** | ***Législature*** | ***Session*** | ***Type de discours*** | ***Date du discours*** | ***Locuteur*** | ***Fonction du locuteur*** | ***Parti politique*** |
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| Nouveau-Brunswick | 45e | 4e | Discours du budget | 12 avril 1966 | M. Lestock G. DesBrisay | Ministre des finances | PL |

Mr. Speaker: For the seventh time it is my privilege to present the traditional motion of supply. Each previous occasion has been a time of tremendous satisfaction, making an annual record of sound growth in our province's economy and major extensions and improvements in services for the people of New Brunswick. Today my duty is a particularly satisfying one; the budget I present will be based on the highest plane of economic activity our province has ever experienced. Further, the program for equal opportunity ensures prospects for the future that are greater than we have ever dared dream of in our history.

During the past few months we have taken part in a debate on the greatest fundamental changes ever introduced in a Canadian legislature. 1 believe that every member of this house has been keenly aware that. Whether he agreed with the total program or not, he has been involved in an historic event of epic proportions. The debate has been a prolonged one and it is right that it should be. The program deserves the fullest possible discussion.

And yet we cannot afford the luxury of opposing new measures simply because they are new. We cannot afford the luxury of opposing change in a world and in a society where the readiness to change, the ability to adapt, has become the key to progress. In New Brunswick, it may indeed' be the key to our survival, our one hope of reaching the high standards and bright prospects which some other parts of Canada have long enjoyed.-The program for equal opportunity will not, by itself, accomplish this. The budget for 1966-67 will demonstrate that the government has recognized this fact.

Monsieur l'Orateur, je m'en voudrais de ne pas profiter de l'occasion pour saluer mes concitoyens de langue française de la cite de Moncton. On dit souvent, et quelquefois légèrement, que les deux grandes races fondatrices de la nation s'entendent bien dans notre province et que le Nouveau-Brunswick peut être un exemple a la nation. Certes, cela est vrai. Mais ce n'est pas sans fierté. Monsieur l'Orateur, que je constate que Moncton est en réalité une sorte de laboratoire ou, grâce à nos institutions de langue française, une nouvelle expérience dans les relations interhumaines est en voie d'élaboration.

Au lieu de phrases creuses et usées à force de redites, mes concitoyens des deux langues vivent de plus en plus cette expérience. Elle prendra certainement de l'ampleur avec les années. C'est à souhaiter. C'est une expérience enrichissante et que nous entreprenons de part et d'autre avec une certaine humilité. C'est pourquoi elle a des chances de succès. J'ajouterai que ce climat nécessaire a l'éclosion de relations humaines harmonieuses est du, en particulier, a la présence de l'Université de Moncton sur qui tant d'espoirs légitimes reposent, et nos autres institutions bilingues.

Moncton a une certaine habitude du dialogue, du progrès et une volonté très nette de ne pas se laisser tromper par les défaitistes de tout genre; c'est peut-être pourquoi le programme d'évolution sociale ne fait peur qu'a ceux qui, depuis toujours, redoutent la perte de leurs petits privilèges. Moncton se veut au centre de l'éveil industriel et intellectuel de notre province. Représenter cette ville en cette assemblée législative est un honneur et une grave responsabilité. Aussi, plus que jamais en ces heures historiques, suis-je fier d'être ici le porte-parole d'une telle ville et d'une population qui connait ses devoirs.

English Translation

Mr. Speaker, I would be remiss if I didn't take this opportunity to greet my French-speaking fellow citizens of the city of Moncton. It is often said, sometimes lightly, that our nation's two great founding races really get along well in our province and that New Brunswick perhaps sets an example for the rest of the country. Indeed, that is true, and it is with no small amount of pride, Mr. Speaker, that I claim that Moncton is actually a sort oflaboratory where, thanks to our French-language institutions, a new experiment in human relations is being developed.

Instead of mouthing shallow and worn-out phrases, my fellow citizens, both English and French, are really endeavoring to make this experiment a success. It will surely gain in popularity as time goes by. That is to be desired. This is a worthwhile experiment and one which we undertake with a certain amount of humility. That is why it has a chance of succeeding. I might add that in a very special way the University of Moncton and our other bilingual institutions, wherein lie so many of our legitimate hopes, create the proper atmosphere for the realization of a harmonious relationship between our two ethnic groups.

The people of Moncton have always been open-minded about new ideas and progressive measures, and have never been misled by defeatists; perhaps that is why the program of equal opportunity frightens only those who forever dread the loss of their minor privileges. Moncton wants to be a part of the new industrial and cultural development of our province. It is an honor and a great privilege to represent this city in this Legislative Assembly, and, at 'this particular time more than ever before, I am proud to be the spokesman for such a city of public-spirited citizens.

The New Brunswick Economy

Mr. Speaker, I wish to deal first with the question of the New Brunswick economy. Last year I instituted the practice of tabling a comprehensive review of the economy and a forecast of the economic outlook for the coming year. This document — The New Brunswick Economy — was so favorably received that I have repeated the practice this year and I commend it to the attention of all members. I will confine my comments on the economy to a few of the highlights which are to be found in that report.

In 1965 New Brunswick, like Canada, experienced a good year in moat sectors. Public and private investment for 1965 showed a totalof $4,678,646. This is an improvement of $7 Vi million from the planned increase in net debt for fiscal 1965, which was at that time estimated to be $12,159,928.

Ordinary revenues for the year exceeded my original estimate of $129.6 million by about $5 million. Revenues from provincial sources alone — the Provincial Secretary, Liquor Commission, and Lands and Mines — were up by almost $4,600,-000. Capital recoveries also exceeded our expectation by some $2 million.

These increases were partially offset by increased spending. The net effect of all expenditure changes was an increase in total ordinary and capital expenditure of about $1 million.

Although the budget is being presented somewhat later than usual this year, it will still be several weeks before final figures are available for the fiscal year which ended Last March 31.

According to our latest figures, the province will show a substantial reduction in the estimated increase in net debt originally forecast for the fiscal year 1965-66.

On ordinary account, revenues will be some $10.3 million more than originally estimated. This can be attributed to the high level of economic growth experienced by the national and provincial economies in 1965, which is continuing into the present calendar year.

The province's own revenue sources account for more than one-half of this large increase: personal and corporate tax receipts will exceed by $1.6 and $1.1 million respectively my original estimates for (fiscal 1966, while our receipts from motor vehicle fees, gasoline sales and tobacco taxes will be $2.25 million more than anticipated. In addition, there will be a net increase of some $450,000 in various other revenue items.

Transfers from the federal government which are the result of an expanding national economy should provide New Brunswick with an additional $4.9 million over that forecast for fiscal 1965-66. Our Capital Account recoveries will be $700,000 less than estimated last year, due in large part to a reduction in our anticipated recoveries of $431 million — 25% higher than the $344-million figure in 1964. The total amount invested has practically doubled in 10 years, with an ever-increasing share going to secondary industry. This trend becomes obvious when one considers the rapid mining developments that have occurred since 1960. In 1965 the value of mining production of $84 million was 68% higher than the 1964 figure.

While the pulp and paper industry increased substantially over the year, sawn lumber and pulp-wood Production revealed negative growth. The volume of fish caught in 1965 increased approximately 15%. On the agricultural side, farm cash receipts increased by 36% for the first three-quarters in 1965 over the same period in 1964.

An 11.4% increase in wages and salaries for the 11-month period in 1965 resulted from both a rise in average salaries and an increase in employment. This increase in wages land salaries, combined with increased farm cash receipts, helped retail trade increase by 7.3 %.

The outlook for the provincial economy in 1966 suggests a continuance of the prosperity experienced over the last few years. Many of our economic sectors have achieved high rates of growth to where they are now working at virtually maximum capacity. We must now concern ourselves with increased productivity in conjunction with increased investment. We must, at the same time, be wary of inflation eroding our economic gains.

The continual increase in employment opportunities in mining and manufacturing, particularly with the opening of smelter operations in northern New Brunswick, will assist in carrying our bright prospects forward into 1967.

Mr. Speaker, I should remind hon. members that I will be dealing with three years' figures during •the course of my talk this afternoon.

Current Financial Position

I wish now to review the current financial position of the province. "His Public Accounts for the fiscal year ended March 31, 1965, which 1 tabled earlier this session, reveal an increase in net debt for that year under the Trans-Canada Highway program.

On the expenditure side, our ordinary account will be some $2.2 million higher than originally planned, due to additional expenses for university operating grants, adverse weather relief for farmers, vocational education grants, forest fire control, municipal subsidies, snow removal and highway and bridge maintenance.

Capital expenditures will be some $2.1 million higher than planned, due mainly to an increased bridge and highway construction program. The net effect of these figures, Mr. Speaker, is to produce an estimated net debt increase for 1965-66 of less than $3 million.

I have Provided a chart in the rear of the printed copy of my statement which wit show this graphically to all hon. members of this house. This compares with the original estimate of $8.2 million which I presented to the Legislature 13 months ago.

Mr. Speaker, the continued expansion in national and provincial economies has produced for us increased revenues which the government has used to good advantage. We have been able to increase our planned level of services for the year just past, while adding only $2.8 million to our net debt, an a-mount which is less than 1 1/2% of our estimated ordinary and capital account expenditures of $191.5 million for the fiscal year 1965-66.

In recent months it seems to me that there have been almost daily alarms sounded by certain hon. members opposite and cither prophets of doom — alarms to the effect that the present government is rushing the province into a disastrous debt position. I will have something to say shortly to refute 'these charges that are without foundation. But I would like to stress the $2.8 million net debt increase figure to show how our debt is kept within responsible and fiscally sound limits.

Capital Financing

The past year has been one of adjustment in Canadian capitalmarkets — adjustment to the Atlantic Acceptance fiasco, to an overheated economy, to guidelines issued by the United States government designed to improve that country's balance of payment position. Credit conditions both in Canada and United States have become less easy, and long-term interest rates on Canadian provincial bonds have risen by approximately 60 basic points since this time last year.

However, the province of New Brunswick has experienced no difficulty in raising both its long and short-term capital requirements at 'borrowing costs which, in retrospect, appear very favorable compared to those presently prevailing. In June of 1965, an issue of $15 million 4%% 25-year Sinking Fund debentures was placed in the United States market at a cost to the province of 4.94%. Ten million dollars of these funds, which were not immediately required, were invested on a short-term basis, yielding an additional $55,000 to the province.

In October, an additional issue of $10 million 5% 25-year Sinking Fund debentures was placed with one (major United States institutional investor at a cost to the province of 5.24%. Delivery of this issue was deferred until late January of this year in accordance with the request made by the federal Minister of Finance. It is noteworthy that since October, interest rates on Canadian provincial issues sold in the United States market have risen considerably. For instance, a Province of Ontario issue was sold in March of this year at a yield of 5.50%.

During the period from November of 1965 to January of 1966, while the province was in a position of net cash outflow, traditional sources of short-term money were supplemented to some extent by the sale of Province of New Brunswick Treasury Bills, thereby effecting a worthwhile reduction in the cost of raising the province's short-term capital requirements.

In March, as I predicted, we received our first allotment of funds from the Canada Pension Plan Investment Fund in the amount of $972,000. These funds are being borrowed for a period of 20 years at an interest rate of 5.29%, and it is expected that the province will continue to receive from this source approximately $1 million per month at a borrowing cost appreciably lower than that which would normally be paid for long-term money.

May I suggest, Mr. Speaker, that all members of this house note the importance of this arrangement whereby the pension contributions of out citizens work to ensure a retirement income that will permit ■them to live with dignity in the later period of life. These contributions for a brighter future for our people also go to work now to enhance the present prospects and opportunities of our province. The Canada Pension Plan Investment Fund is a most creative and useful resource for our province, and year by year it will play its part in our economic and social advance.

Every effort has been and will continue to be made to coordinate our capital financing with that of the New Brunswick Electric Power Commission, and to keep the province's capital requirements within realistic limits. Of a total of $30 million authorized for borrowing under the Loans Act 1965 — in addition to a net refunding of $4,600,-000 — the total actually borrowed amounts to $25,972,000.

Our experience in the short and long-'term capital markets during the past year indicates that the province of New Brunswick enjoys a favorable credit rating, and it is the intention of this government to protect and enhance that favorable rating.

Provincial Debt Position

Before leaving the topic of our financial position, I want to make a few comments about the province's debt. Recently there has been considerable public comment on this subject. Much of it, I must say, is ill-informed comment. This is really not surprising since debt is to many a most complex and confusing subject.

The concept which seems least understood is that of net debt. Net debt is in Canada the most widely accepted single measure of a province's financial condition. While considerable variation exists between provinces on how net debt is calculated, the essence of the concept is relatively simple. Net debt consists of what we own less what we owe. We define what we own as our financial assets; we do not include for this purpose roads, bridges, land or buildings, even though these are assets in an economic sense. What we owe covers all long and short-term obligations.

When the government makes an expenditure, whether it's to pay a salary or build a bridge, we reduce a financial asset — cash. We thus increase net debt. When we receive money from the sale of a license plate or from a tax receipt, we increase our cash. Net debt is thereby reduced.

Not all financial transactions affect net debt. If we lend money, we do not affect net debt, we have simply changed the 'form of the financial asset. If we borrow money, we do not affect net debt, we have simply gained an asset — cash — which is offset by a financial liability. If we set aside money for a sinking fund, we do not affect net debt, we have simply earmarked cash for a future special purpose.

Members will note that we have changed the presentation of net debt in Schedule E of the estimates this year to show .this concept more clearly. It in no way differs from the principle of previous years. I hope that it, together with my few comments, will make clear to the public the major items which determine net debt.

You can see that a government's use of debt is not so very different from that of a businessman or an individual. A farmer borrows money to buy seed so that he can earn an income; a businessman borrows to buy goods for resale at a profit. Governments borrow money to invest in goods and services which in time produce revenues. Better roads mean more trade and more sales tax; a better education means a better income, lower welfare payments and more income tax.

If we use the instrument of debt with skill, keeping it within appropriate fiscal limits, it can be one of the most important and valuable forces at our disposal for the continued progress of our province and the achievement of those social goals which we all covet for our people.

What, then, is the situation with regard to New Brunswick's provincial debt? It is true that net debt has increased, but it has increased as the result of a conscious plan, just as I said it would three years ago.

From the mass of figures available, one can produce some which will prove almost anything. For this reason I propose in the next few paragraphs to use figures from the Dominion Bureau of Statistics, Public Finance publications. These are available to everyone. They are prepared on a standard basis for all provinces, and so they are not influenced by the accounting decisions or interpretations of provincial ministere.

I have included a table, to be found on page 39 of the printed copy, which shows the funded debt for all provinces of Canada. I would suggest that in making comparisons with Other Maritime Provinces the figures in the first or Direct Funded Debt columns be used, since most of the guaranteed bonds shown are borrowings of our Power Commission, and both Nova Scotia and Prince Edward Island' have private power companies. On this basis, both our total direct debt of $217 million and our per capita direct debt of $352 are below Nova Scotia's comparable figures of $279 million and $367. This is the way it should be. I wish we were even further below, but it proves, I think, that our position is neither unusual nor cause for alarm.

In comparing New Brunswick to the rest of Canada, I feel the figures for the total of both direct funded debt plus guaranteed bonds are most applicable. All provinces to the west operate public power corporations and finance either directly or through guarantees. Here again, while we are not the best, we are far from the worst. The national average for per capita total direct and funded debt is $532; the national averages for the interest rate and term years on gross bonded debt are 4.56% and 19.70 years. In each of these items New Brunswick is very close to the national average. Our figure for per capita total direct and funded debt is $540, our average interest rate is 4.50% and' the average term year figure is 20.29 years on our gross bonded debt. On the whole, we compare favorably with the national average. New Brunswick is not a young province in years, but it is young in terms of its present industrial expansion. The young businessman starting out, unless he stumbles on an oil well or a copper mine, is going to have to borrow to expand. The young province starting out is in much the same position. None of us like to be in debt, but if it is a case of borrow and expand, or not borrow and stagnate, most of us prefer the first alternative. The "good old days" without electricity, radio, television, telephone, reliable cans or decent highways were not that good, and they will only become "good old days" when we look back from somewhere better.

The second point critics usually make concerns the rate of growth of provincial debt. Using the latest available Dominion Bureau of Statistics figures for direct and indirect debt, and comparing the position four years before and after the 1960 fiscal year end, we find that for the four years ending 31 March 1960 the increase in net debt was $64 million, a percentage increase of 36.2%; for the four years ending 31 March 1964 the increase in net debt was $85 million, a percentage increase of only 35.3%.

Mr. Speaker, a great many things have been said about the rate at which this government is pushing the province into debt. I realize that other years would show different changes, but I believe the above table, based on the latest comparable figures available and a similar period before the last change in government, shows that while the absolute amounts have increased, the rate of growth in New Brunswick's debt has not changed substantially.

Federal-Provincial Relations

In recent years, Mr. Speaker, no area of provincial concern has become more important than federal-provincial relations. I would like to spend some time on this topic.

The most noticeable feature of recent federal-provincial relations has been the growing degree of consultation and cooperation between all governments in Canada. This is evident not only in the well publicized meetings of health ministers to discuss medicare, and education ministers considering how standards of education across the country can be made more comparable and still meet local needs, but in hundreds of day to day contacts among officials. The province benefits from these consultations in many ways. We learn about the research and control of diseases in other parts of Canada. We see how student loans and conservation are carried out elsewhere, and we add to our program the best of other ideas. We like to think that in some areas our ideas and programs are of benefit to others as well.

In 1965 there were three general conferences on which I will comment in more detail. The first was the Federal-Provincial Conference in July. The introduction of the federal proposals for a national medicare system was the highlight of that meeting. Not only did these proposals form the basis for a program which will within a few years be of immense value to all Canadians, but they introduced a new idea into federal-provincial relations. The Prime Minister did not produce a complete and detailed plan. He did not say, in effect, take it or leave it, as has happened in the past. He laid down four principles and offered federal support for any plan that met them. This allows each province's plan to adapt to local needs and conditions, and still assures that those national matters, which are important to all of us as Canadians, form the basis of every plan.

The principles are worth repeating. First, the plan should cover all services provided by physicians as an initial minimum. I think all of us hope that drugs, dental care and other important services can soon be added, but physicians' services are an important and essential first step.

Second, the plan should cover all residents of the province on uniform terms and conditions. Health is as important, if not more important, to the poor as to the rich. To continue to ration health services on the basis of wealth is a proposal few Canadians would support.

Third, the plan should be publicly administered. The sums involved in a medical care program will be huge, and any attempt to put this fiscal power outside the legislative process would seriously limit: the rights of the Legislature. Fourth, each plan should allow full portability between provinces. The medical needs of New Brunswick may be different from those of British Columbia, but the resident of our province who moves or visits there should not be treated differently.

In August the Premiers of Canada met in annual conference in Manitoba. These meetings, a feature of Confederation 100 years ago, were revived in 1960. I might mention at this point that New Brunswick and our Premier will be host to the meeting in the Centennial Year 1967.

These meetings, the meetings of Premiers, which discuss matters of purely provincial concern, rather than federal-provincial matters, provide an opportunity to compare and discuss matters of interest to all provinces, and have led to a gradual coordination of education standards.

The third meeting, and the one which will introduce most of my comments on federal-provincial relations was held in December. At that time the ministers of finance and provincial treasurers of all 11 governments met to discuss the economic and fiscal outlook of the year ahead1 and to coordinate national fiscal policies. We also met as the tax structure committee to prepare for the forthcoming tax-sharing negotiations. While my main task today is to outline the future fiscal policy of New Brunswick. This budget is also part of Canadian fiscal policy. That fact was made clear at the tax structure committee meeting. There we added up the probable revenues and expenditures of all governments, and examined the overall effect on Canada's economic future. As a matter of interest, one of our senior employees worked directly with the federal government in supervising the entire revenue study for the tax structure committee.

New Brunswick's $200-million expenditures may look small beside Ottawa's $8,500 million or even Ontario's $2,300 million, but our spending here in the province plays its part, and we must accept our share of the responsibility for Canada's fiscal framework. While that framework alters each year and with each budget, 1966 is in many ways a year of decision for Canada. Since the Second World War, we have evolved a series of five-year agreements which govern the division of the national tax fields. The current agreement expires at the end of this fiscal year. Since the last agreement was negotiated, the expenditure responsibilities of provincial and municipal governments have grown enormously. While federal expenditures have grown too, their relative importance is less. Peace, prosperity, and the rapid growth of Canada's population have meant that regional and local demands for schools, hospitals and roads have grown faster than national requirements for defence or economic stabilization. Not only is New Brunswick's budget a part of national policy, but national policy plays an important part in New Brunswick's budget. Our share of the national taxes, plus the Atlantic adjustment grants, will account for one-third of our total revenues. The future of tax sharing and fiscal need is of vital importance to our province. I would like to outline the general position we intend to take on the questions of tax sharing and equalization.

While the idea of tax sharing was not considered by the Fathers of Confederation, it is not new to Canadians. Federal and provincial governments have shared, the income tax fields since the wartime emergency of 1917 forced the federal government into them. The problems of this sharing were many and involved, but in 1942, again under the influence of a wartime emergency, we managed to share these tax fields with one law, and one collection agency. Since the war, we have continued to do this, with varying degrees of success.

The complexity of the present tax-sharing tax collection agreements can be appreciated by simply looking at your own income tax forms. Federal abatement, deduction, provincial calculation and addition are familiar steps to most of us. I believe a future agreement could be simpler, bath to understand and to work with, and we will make every effort to work in this direction.

Equalization is an even newer idea than tax sharing. In essence, procedures for equalization use a system of payments to ensure that a rate of income tax applied in New Brunswick shall be as productive as the same rate when applied in the most affluent regions of Canada — Ontario and British Columbia. A given income tax rate in Ontario produces more tax dollars than the same rate in New Brunswick. Equalization ensures that each province wall receive, in per capita terms, equal tax dollars for a given tax rate. To date, equalization has been restricted to provincial income tax and provincial corporation tax.

The government of New Brunswick feels that the time has come to take the obvious next step in equalization — to equalize not only income lax hut all provincial taxes. Thus, provinces levying similar tax burdens would then have the ability to provide similar levels of service.

Equalising fiscal capacity has two sides: equalizing tax capacity and equalizing expenditure costs. The work of the tax structure committee in projecting revenues and expenditures suggests that while the first can be done now with reasonable justice, the second is a much longer and more difficult task. Therefore, we propose that the next tax sharing and equalization agreement should seek to ensure that any province which imposes the national average level of taxation, in those tax fields which are used by most provinces in Canada, should receive in tax yield, and equalization an amount per pension equal to the national average yield of those taxes.

Another problem in federal-provincial reflations is the future of shared-cost programs and conditional grants. This is a problem of major importance to New Brunswick. In the field of health, more than 35% of the $46Vi million we expect, to spend comes from these payments; over 40% of our welfare expenditures will come from the Canada Assistance Plan and similar measures. Between the Trans-Canada Highway agreement and the Atlantic Development Board, over half this year's capital expenditures on highways will be federally financed, and in many other areas federal shared-cost contributions, while not as large, play an important role.

Conditional grants and Shared cost programs have advantages and disadvantages. In those cases such as hospital insurance and the medicare proposals where national costs help determine the federal share, they have made up to some extent for the failure of past equalization systems to equalize. When the quality and quantity of provincial civil servants was low, and interprovincial communication limited, such programs spread federal technical and administrative assistance right across the country. They have given much more flexibility to the Canadian constitution by affording more

scope to federal initiative in areas of major provincial concern.

Unfortunately, they also have the effect of limiting the ability of provincial legislatures to control and direct provincial expenditure. It is difficult to refuse provincial funds when the federal government offers half to three-quarters of the total cost, even if the object of the expenditure may not be the province's most pressing necessity. Technical and financial standards established in Central Canada often have little meaning in the circumstances of the Maritimes, the Prairies or British Columbia. More generally, perhaps, almost all agreements assume all parts of the country are, should, and want to be at tiie same stage of development in a particular program at any given time.

These were some of the reasons which led to the "interim" or "contracting-out" arrangements which have been Criticized frequently, though not always "too sensibly. Under the interim arrangements, a province which agrees to carry on a similar program may receive the equivalent amount of money as a larger share of individual income tax, rather than as a shared cost payment. My criticism of these arrangements is not in respect to what they do now, but about their implications for the future.

The danger most commonly cited — that the federal government could lose the use of the individual income tax as a method of maintaining economic stability — is an important point. In theory, other taxes might serve as well, but in practice this is one of the easiest fiscal tools to use. Most income tax is deducted regularly from pay cheques and salaries, and a change can directly affect economic activity within a matter of weeks. Provided the provinces agreed to continue to establish their rates annually in consultation with Ottawa, and provided the federal share is large enough to give them some flexibility at the margin, federal-provincial sharing of the individual income tax need not limit its usefulness as a fiscal tool. The danger in an expansion of the present "interim arrangements" is that the federal Share would very quickly become too small to allow this flexibility.

One way of avoiding the danger of a weakened federal tax base might be to widen the range of taxes which federal and provincial governments share. After all, it is the impact of all taxes, rather than the impact of one or two, which affects the actions of individuals and businesses. If more taxes were shared, the effect of joint federal-provincial fiscal action would be enhanced. There might even be a possibility of provinces collecting some federal taxes on a collection agreement basis.

Mr. Speaker, I would like to comment on the whole problem of '•'contracting-out", which I feel is a widely misunderstood arrangement. "Contracting-out" is a consequence of the present limitations of shared-cost programs. These, in turn, are really an alternative to constitutional amendment, an outgrowth of our federal system.

Canada is a federation. It has provincial governments because the Fathers of Confederation realized that certain things which should be done publicly would have to be done in different ways, at different speeds and with different emphasis in different parts of the country. Other public services can and should be supplied on the same basis everywhere, and these are, in general, federal responsibilities. Unfortunately, it is impossible, in practice, to make as neat and clean a division of responsibilities as the British North America Act makes in law. As a result, devices such as conditional grants and shared-cost programs have been developed.

What we have developed has not been the flexible, dynamic instrument it might be. Some provinces have been held back by conditional grants, others have been pushed forward faster than their financial and' administrative capacities would allow. "Contracting-out" is a way of overcoming the first problem, and I believe that in examining the future of this type of arrangement we should find a solution to both problems. We should, in short, try to make "contracting-out" a two-way street which the provinces and the federal government can move along as conditions dictate. I see no reason why a province with interest and capacity in a particular field, should not be operating their own program and financing it by a tax abatement. At the same time, provinces with equal interest but less capacity could be operating with minimal conditions and block grant financing.

One entirely new idea is to consider whether a province could "contract-in" for the operation of a particular program, such as medicare. Under this arrangement, a province would delegate the actual administration of a provincial program to a federal agency.

Such an arrangement would permit both federal initiative and control without 'the red tape which accompanies some cost-sharing arrangements. It would also provide the federal government with a sort of administrative laboratory and a better appreciation of administrative problems at the provincial level.

Mr. Speaker, this is a dynamic nation. I think we can go in different ways and at different speeds so long as we go in the same direction. What is important is the quantity and quality of public services which all Canadians receive. We are entering a year of decision for New Brunswick and for Canada. Let its enter it with open minds, learning from the past but not bound by it. In tax sharing, in equalization, in shared-cost programs, let us consider how the public Can best be served, not what present prerogatives or what present administrative procedures we can preserve.

I turn now to the estimates for 1966-67. I am well aware of the speculations which have been made about this budget. The opponents of change have for months charged that the program for equal opportunity is simply a device, as they put it, "to get the province out of its financial difficulties." I am sorry to have to disappoint them, Mr. Speaker.

This budget will not provide funds for implementing any major element of the new program. For those who listened to my speech on Dec. 7 last, this should come as no surprise. I said then that I did not intend to anticipate the actions of the Legislature, I still do not intend to do so. When the major pieces of legislation have been passed by the house, a second budget will be introduced covering the expenditures and revenues for the new program.

In my December speech I stated that the financing of the new program was based on the assumption that our normal expenditures were well under control and within our capabilities, and that the new program should be financed so as to neither improve nor aggravate our normal, ongoing budget. By presenting our normal budget now, members will be able to see quite clearly that normal expenditures are indeed well under control.

By presenting a new program budget at a later date, members will be able to see quite clearly that the new program is being financed so as to neither improve nor aggravate our normal, ongoing budget.

In Shaping the normal budget for 1966-67, our thinking was domin ated by several fadtors. First, we wished to continue our emphasis on the broad range of measures designed to strengthen our economy.

Second, we wanted' to ensure that, where possible, projects of a capital nature did not unduly influence ithe effects of rising costs and the acute shortages of skilled manpower and construction capabilities within the province.

Third, we felt it desirable to minimize major programs of improvement in -the general area of services to people until we could acit under our new legislation.

Fourth, we determined that we must preserve and Strengthen our managerial resources to meet the immense administrative tasks which implementation of the new program will entail.

Strengthening the Economy

The estimates for 1966-67 reflect these factors. They particularly reflect our emphasis on economic development.

This, of course, is not a new emphasis, Mr. Speaker, and the results to dlate are most impressive. I would draw to your attention the rates of growth shown in the following table:

In the 1966-67 estimates, almost every program concerned with economic development shows a sizeable increase. Agriculture expenditures are up by 50%; Lands and Mines are increased by over $700,-000; total moneys for ARDA have been raised from about $1 million to almost $2.5 million.

We all know that there is no magic formula for economic development We know that it cannot be the concern of a single agency or department, and we know that development rests on many elements.

We must have basic resources; we must have detailed knowledge about the nature, the extent and location of those resources; we must create the necessary infrastructure, such as power and transportation facilities. We require technology, skilled manpower, and managers. To bring all of these elements together, we need entrepreneurs, and to attract them requires incentives and various forms of assistance.

I would like to give you a few examples of how this budget increases our ability to deal with the various elements of development. In Lands and Mines, an additional $106,000 has been provided for forest management to extend our program of reforestation and land capability studies. Forest protection includes a $50,000 increase to experiment with the use of water bombing of forest fires. Additional personnel for the forest service and a new program of youth camps account for the major part of a $300,-000 increase. A new dormitory is to be added to the Forest Ranger School. Increased geological investigation will require additional funds of $80,000. The Parks Branch is to be reorganized and strengthened. Expenditures of the Fish and Wildlife Branch will rise from $193,000 to $314,000.

In the Fisheries Department, the major change in emphasis is found in the Exploratory Fishing and Education Branch. Some $228,000 is provided for a wide range of projects. Three million dollars is earmarked for assistance to fishermen through the Fishermen's Loan Board, an increase of $327,000.

The budget for the Department of Agriculture has been increased from $2.3 million in the 1965-66 estimates to $3.6 million in the new year. About $340,000 will be required in the new year to finish the emergency assistance program for cattle producers which was announced some weeks ago. A sum of $150,000 has been provided under Farm Settlement to subsidize the interest costs borne by farmers on loans from the Farm Credit Corporation.

Members will notice that a Rural Development Branch is to be established in the Department of Agriculture, with an estimated expenditure of $442,000. This branch will administer and coordinate the many ARDA projects found throughout the budget. In addition to the a-mounts in departments' estimates, almost half a million dollars is provided under General Government, mainly for projects in the Restigouche-Gloucester area.

A new ARDA project is shown in Schedule C An amount of $625,000 has been provided for the consolidation of small, uneconomic farm units as the first stage of a five-year program.

The program for farm consolidation and land use is designed to deal with some of the basic problems in agriculture throughout the province. It will assist in the establishment of economic farm units through the enlargement, consolidation, regrouping and basic improvements of small units. In addition, it will play an important role in the withdrawal from agriculture of land areas unsuitable for farming through the purchase of such areas and their allocation to more suitable and effective use.

Farmers interested in additional farmland face not only the initial cost of acquisition, but they must be prepared to undertake expenditures, often in excess of the purchase price, to bring the land to a reasonable level of production. The program incorporates measures to assist in overcoming this obstacle to farm enlargement.

Mr. Speaker, no major development of our resources has been possible until we could supply the essentials of a good transportation s5istem and an adequate power supply. Even though we deliberately restricted capital projects, we will in the coming year spend almost $37 million on highways. The bulk of the increase results from a massive, $7.5-million program of bridge construction, by far the highest amount for this purpose in our history.

The New Brunswick Electric Power Commission which, with an annual growth in power generated of over 20%, is the fastest growing utility in Canada, will invest over $70 million in the coming year in new facilities. Roughly $55 million will be spent on generation facilities — dramatic evidence of the province's tremendous industrial growth.

The Research and Productivity Council has made impressive progress in the past year in accumulating a wide range of scientific and technological skills to assist New Brunswick industry. Our grant to the council this year has been further increased to the planned level of $500,000, enabling them to make optimum use of their new facilities and staff.

In the past two years the high level of economic activity has created a relatively new kind of problem: a shortage of skilled manpower. Our approach to this has been broad arid positive. We plan to continue and expand our program of research on manpower and labour force problems; increased funds will be provided for our technical, vocational and trades training facilities; training programs in cooperation with industry and training 'of unemployed persons is proceeding as fast as possible. In total, this 'budget will provide over $7% million for manpower training, quite aside from academic instruction in the regular school system. This huge investment ensures that New Brunswickers will share fully in the benefits which our development makes possible.

A new approach to old problems is to be found in the expanded grant to the Community Improvement Corporation. The large a-mount of almost $4 million has been provided under Schedule C — loans and advances — to start implementation of the corporation's multipurpose economic development plan for the Mactaquac region.

The government of Canada has expressed an interest and willingness to participate in the implementation of such a pioneering and original regional development program which appears to be without precedent in Canada. Negotiations are presently under way with the federal government to participate in the cost. When these negotiations are satisfactorily concluded, a government statement will be made outlining the scope of the program in more detail.

Briefly, however, it is a planned, conscious effort to focus in a comprehensive way all forms of federal and provincial assistance onto an area and its problems. The scope of the program includes such elements as community and industrial development, effective resource and land utilization, manpower training, extension services, and in addition, the full exploitation of the recreational, cultural and tourist potential of the area.

No major changes are contemplated in the Department of Industry, aside from a sizeable increase in the amount to be spent in industrial advertising. An increasing proportion of the department's efforts is being devoted to coordinating various provincial development plans with those of such federal agencies as the Department of Industry, the Area Development Agency and the Atlantic Development Board. Considerable time is also spent assisting local communities with industrial projects. Our Industrial Development Board is particularly active in this area, providing not only financial assistance, but often general management advice to industrial enterprises.

I cannot leave the subject of economic development without some review of our active development agency, the New Brunswick Development Corporation.

The corporation has, despite its short history, been able to convince the major European and North American industrial communities that the province is working toward a position wherein long-term technological developments, introduced by carefully selected industries, will result in an expanding industrial base — a base that can resist competitive forces and contribute substantially to the economic prosperity of the province.

During the past year the corporation completed the first stage of its development of the Westmorland Chemical Park located near Moncton. Late in November 1965 the harbour and docking facilities were commissioned with the arrival of the W. R. Grace ammonia tanker from Trinidad, and subsequently, in February of this year, the 65,000-ton-per-year ammonium nitrate plant of Fundy Chemical Corporation Ltd. was put into production. In addition, the metal fabricating plant of Atlantic Industries Limited has been completed and operations are scheduled to be under way in April.

The Development Corporation, with the financial assistance of the Atlantic Development Board, has invested close (to $5 million in providing the essential services which will attract additional industry into this park. The corporation is presently negotiating with three major industrial concerns who have projected expansions within the Westmorland Chemical Park.

The acceptance of the industrial park concept and its concentration of services and facilities have led to the development of two more industrial sites by the Development Corporation.

The Greater Moncton Industrial Park located at the deactivated Department of National Defence air-base at Scoudouc is the home of New Brunswick's newest winery — Normandie Wines Ltd. Construction work at the winery has been completed and initial operations are scheduled to begin shortly. The Development Corporation has undertaken a major upgrading of the services at the Scoudouc site as an incentive for future industrial expansion.

In keeping with its policy of assisting those industries which are naturally suited to New Brunswick, the corporation has established a third industrial park on the St. Croix River in Charlotte County midway between St. Andrews and St. Stephen. The Champlain Industrial Park will accommodate Eastern Canada's first tuna processing operation. The plant, owned and" operated by Canadian Tuna Company (1965) Ltd., will process 14,500 tons of tuna per year on a single shift basis for domestic and export markets. The Development Corporation has projected expenditures of $2.5 million to provide services to industries desiring to locate within the Champlain Park. In addition, the federal Department of Public Works has undertaken to construct a wharf to serve the present and future needs of park occupants.

During the past year the corporation has worked closely with a number of New Brunswick communities in furthering their industrial growth. There appears to be no lack of industrial opportunities in the province. However, the majority of proposals received by the corporation are contingent on receiving grants and concessions for establishing within the province. It has been the experience of the corporation that those who seek expensive concessions have often been inferior operations.

In the coming year the staff and operations of the New Brunswick Development Corporation will be expanded to cover all phases of the province's rapidly diversifying industrial economy. More emphasis will be placed on assisting communities in their efforts to attract industries that will contribute to the future growth and prosperity of the community. It will continue to be the policy of the New Brunswick Development Corporation to avoid financial commitment to operations with little chance of commercial success.

To carry out these policies a sum of $7.4 million is provided for the corporation in the coming year.

**Services to People**

I mentioned earlier that, in the main, improvements in health, welfare, and education would be left to our new program budget. This is not to say that these important functions are being neglected, as anyone who has attended the Legislature in the past year would testify.

I would like to point out the attention which these departments have received in the past five or six years. Health expenditures have more than doubled — from $19.5 million in fiscal 1961 to an estimated $46.5 million in this budget. Youth and Welfare expenditure has risen from $8.7 million to almost $13.5 million in the same period.

The expenditures on education are somewhat misleading. The estimates do reveal an increase of over 50% for the department in this time period, but this hardly tells the whole story. Expenditures on education are found throughout the budget. School and teachers' college construction costs and capital grants to universities are found in the Capital section; operating grants to universities are under General Government; teachers' pension benefits have been transferred to the estimates of the Department of Finance; special training bursaries and support to various Maritime educational institutions are scattered through several departments. When these are added up, the total a-mount devoted to education in these estimates is just under $30 million. This amount, Mr. Speaker, is about 40% of the total ordinary budget presented by the former government in their last year of office.

The Department of Health has been provided with funds for added staff to meet the growing workloads of the provincial laboratories and to upgrade patient care at Lancaster Provincial Hospital. At Campbell-ton, funds for additional psychiatric nursing instructors have been allocated to expand the affiliated teaching program between general and mental hospitals. A much needed expansion of the provincial laboratory facilities in Moncton will be undertaken.

Though small in amount, two new items are of particular interest for the future: funds for the committee on mental health services, and for medical care planning. Some mention has already been made in the house of the first item, and' the Minister of Health will be speaking about the second. I can assure you, however, that in planning our medical care program full consideration and consultation will be given both to those receiving the services and those providing it.

The overall estimates for Youth and Welfare actually show a slight decrease. Old age and blind assistance is down nearly $1 million as a result of the eligible age under the federal old age security program being lowered to 69. Major increases show under administration for an enlarged staff, and in social assistance due to increased standards of aid. The vocational rehabilitation program is being transferred this year from Health to Youth and Welfare.

Before leaving the topic of services to people, I should like to make a few comments on some of our lesser known programs, which are concerned with the quality of life — the various cultural and recreational programs which the province supports. In monetary terms, this assistance will amount to over $2 million in 1966-67 and covers a wide range of activities which are designed to enrich the lives of all New Brunswickers.

For those of us who pursue recreational pastimes such as hunting, fishing and' camping, we have increased our game and fish management program. Some $200,000 has

been provided for more and better camping and picnic facilities throughout the province. Recreational programs designed specifically for young people are to receive greater financial support in the new year under the guidance of the Youth Division of the Department of Youth and Welfare. The Handicrafts Branch of the Department of Industry will continue to encourage the acquisition of skills that will lead in many cases to the establishment of profitable undertakings by private individuals.

On the historical side, Mr. Speaker, we shall increase the annual support to the New Brunswick Museum. We have also made provision for the commencement of a provincial archives program in order to undertake the systematic classification and preservation of the many valuable historic documents scattered throughout the province. I am sure that all members will be pleased to learn that the Military Compound in Frederic-ton is to be restored as a national historic site, and funds are being provided for that purpose. Work is actively under way by the Community Improvement Corporation, with the assistance of the New Brunswick Electric Power Commission, to preserve artifacts and buildings of historic and1 architectural merit in the Mactaquac headpond area. These items will be relocated and restored in order to recreate for us the early history of the St. John River Valley.

Then, Mr. Speaker, there are the many grants which this province makes to a wide variety of agencies and organizations, such as historical societies, local festivals, and societies for the Performing arts. In addition, the Provincial Centennial Administration will provide over half a million dollars in the new year for community centennial projects, such as parks, arenas, libraries and recreation centres.

The province itself will be undertaking a program designed' to pro-mate in all parts of New Brunswick a greater awareness c«f the anniversary of the Centennial of Confederation. A Centennial News Bulletin, a series of radio presentations, special grants to municipalities to organize centennial celebrations, the marking of "Century Churches" and assistance to special university projects are only a few of the many items to be carried out by our Centennial Administration. It is my hope, Mr. Speaker, that all the people of New Brunswick will contribute or participate in some way to make our centennial celebrations worthy of our proud past and our promising future.

Finally, Mr. Speaker, in order to present the image of New Brunswick to those attending Expo 67 in Montreal, there is an increased contribution to the Atlantic Provinces' Pavilion.

Mr. Speaker, when we discuss the economic development c«f the province, we all too often take for granted the recreational and cultural aspects of life in New Brunswick. I trust that my preceding remarks indicate the government's desire to foster such programs in order to provide for the total development of all our provincial resources.

The Machinery of Government

The heavy work pressures of the last year and the administrative complexities which the program for equal opportunity will bring have reinforced our conviction that we must develop an even stronger administrative organization. Our objective is a competent, well-trained Civil Service, organized in an effective manner, using sound administrative methods and procedures, and enjoying working conditions comparable to those in other provinces.

As the Civil Service is strengthened', it becomes easier to attract young, top-grade employees; as our range of skills improves, our problem-solving capacities increase.

We have made tremendous progress in these directions in the past few years. This budget provides for still further improvements. A major increase in staff is planned for the Civil Service Commission to enable them to improve their many services to departments. We plan to experiment with more flexible recruiting methods, with the hope of attracting a greater share of graduates from our universities. Additional funds have been provided to bring our wage levels up to the standards of competing jurisdictions. Within a couple of months, movement into the new Centennial Building will begin, bringing to an end countless problems of communication and coordination which our present space arrangements create.

Several changes are under way in my own department. A Pensions Branch is to be established which, together with new legislation, will improve the administration and content of the various superannuation plans. We have on order a new computer — a GE 415 — which will greatly enlarge our ability to handle the growing transactions and paper work. We are in the process of recruiting a well-qualified staff of systems analysts to ensure maximum benefits from the new computer. The estimates provide for establishing the Auditor General's office and the 'transfer of certain staff to the Comptroller's Branch in the Department of Finance, in line with the new Financial Administration Act.

At this time, I would like to say a special word about Joint Council. Not long ago we had our 49th meeting. Through these meetings we have achieved an excellent working relationship with the employees' association. Many vexatious problems have been solved and many situations have been forestalled which could have become major problems. I am particularly pleased with a recent decision taken to study, as a council, various forms of collective bargaining and their implications. This shows, I believe, the positive approach of both the association and the government in seeking constantly to improve our standard of service and working conditions.

The estimates provide for one major step towards implementation of the new program. The program will mean new and different functions for the departments of Education, Municipal Affairs, Health, Youth and Welfare, and Attorney General. To ensure that they develop organization structures and methods capable of discharging their new responsibilities, we have engaged the firm of Public Administration Service to assist us in the reorganization task. P. A. S., as it isknown, is a nonprofit organization whose sole function is to advise governments on administrative matters. Several of our own civil servants have been seconded to the survey team as a means of gaining practical experience in the skills of administrative analysis.

Revenues

In the fiscal year which we have just entered, Mr. Speaker, it is anticipated that our revenues on ordinary account will amount to $171,276,650. This is an increase of $14.9 million over the revised estimate for the fiscal year which ended March 31.

The increase in revenue for the new year is made up in large part from revenue sources which are directly related to the economic base of this province. Of the $14.9 million increase, more than $8 million will come from the province's own major revenue sources; sales, gasoline and tobacco taxes, and motor vehicle fees will account for an additional $4.7 million; personal and corporation income tax receipts will increase by $2.4 million and profits from the New Brunswick Liquor Control Commission will yield an additional $900,000.

Mr. Speaker, the fact that the bulk of our increased revenue will come from within our own province, based on our own increasing prosperity and an expanding provincial economy is indeed worthy of note.

It cannot be denied, however, that increased revenue will also flow to us from the federal government in the form of equalization grant payments and estate tax rebates. This increase is expected to be over $4 million, which is only slightly more than one-quarter of the total anticipated revenue increase.

The remainder of our revenue increases amounts to $2.8 million and comes from various provincial fees and service charges and recoveries from federal-provincial shared-cost programs.

I have mentioned that we are taking steps to improve and strengthen the quality of our Civil Service. As a direct result of this policy, we have developed more sophisticated estimating techniques which produce a clearer and more definite picture of our future receipts, thus enabling us to plan our annual provincial budget cm a more positive basis. We are continually refining our budgeting techniques on both the expenditure and revenue sides to ensure that each area of government is thoroughly reviewed: in relation to the overall total of proposed government activity. We are thus able to direct our resources to where it is felt the need is greatest.

Before leaving the subject of revenues, Mr. Speaker, I would like to mention that we are also giving more attention to the actual task of revenue collection and have provided for staff increases in the Provincial Tax Branch to ensure the full and prompt collection of provincial tax revenues.

Mr. Speaker, it is by devices such as these — more sophisticated methods for estimating our revenues and a more efficient tax collection system — that we are able to plan our annual spending program and present it to the Legislature as I am doing today, without the necessity of introducing any tax changes.

Summarizing my previous remarks, Mr. Speaker, the estimates I have tabled today present the following totals:

Ordinary Account Revenues $171,279,650

Ordinary Account Expenditures 157,681,437

Surplus on Ordinary Account $ 13,598,213

Capital Account Expenditures $ 44,259,186

Capital Account Recoveries 19,589,942

Deficit on Capital Account $ 24,669,244

Total spending in the new year will amount to $201,940,623 — a record program of planned expenditures for this province.

The surplus of $13.6 million deserves special comment. In consciously budgeting for this surplus, we have not had to depress services; on the contrary, our growing economy has permitted us to both expand normal services and at the same time receive increased revenues. The economic development policies and planned deficit financing which this government introduced when it took office are now beginning to yield their returns. It is our intention to finance a portion of our large capital program out of these increased revenues, rather than borrow all our capital requirements.

The state of the Canadian capital market today is such that financing by borrowing is relatively expensive for all who seek long-term funds. In order to keep our demands on the market at a reasonable level, we shall use our entire ordinary account surplus — that is, $13.6 million — to pay for urgently needed capital projects. This will ensure that .the government's demands on the supply of available capital are reasonable and do not interfere with the heavy financing required by the New Brunswick Electric Power Commission for its planned expansion.

Mr. Speaker, when I introduced the government's financial program for the fiscal year 1964, I said on that occasion, and I quote:

"It is the government's intention to ultimately achieve a balance between revenues and expenditures. However, given the things that must be done, this cannot be achieved immediately, and our best estimate is that approximately three years will be required to achieve this end."

The budget I have presented today, Mr. Speaker, fulfils that pledge.

The overall effect of this budget will be to increase the province's net debt by a mere $914,974. Mr. Speaker, this amount is less than one-half of one per cent of the government's proposed expenditure program of more than $200 million.

I submit, Sir, 'that one could not come any closer to an actual balance in our financial program and at the same tame provide for the wide range of services and a continuing high level of economic activity which this government intends to promote in the new fiscal year.

I should like to draw to the members' attention another state-meat which I made some time ago 'relating to the province's financial position. While speaking in this assembly on Dec. 7 last, concerning the Proposed timing and financing of 'the program for equal opportunity, I stated that in approaching the question of the additional costs involved, and I again quote, "... the government began on the entirely sound assumption that our normal expenditures... are well under control and within our capabilities."

The truth of that statement has been demonstrated today in a most positive manner.

The program for equal opportunity is not required to extricate the province from any financial difficulties, as opposition spokesmen have claimed for months past. On the contrary, the regular services and plans of the government are under control; indeed, they have never been under any better control than they are at present.

The budget I have presented today fulfils my pledge of three years ago. It fulfils this government's pledge to develop the economy of the province. It completes the solid foundation required for the program for equal opportunity.

This is the year, Mr. Speaker, in which the greatest chapter in our history will be written. I am proud to present the budget that makes that chapter possible.