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| Nouveau-Brunswick | 47e | 1ère | Discours sur le Budget | 16 mars 1971 | M. Jean-Maurice Simard | Ministre des Finances | PC |

Mr. Speaker: It is my privilege today to introduce the traditional motion of supply for the consideration of this House.

At the same time I must confess this is also a moment of some trepidation for me, a newcomer to public office, to be privileged to play such an important role in the public life of our province.

It is with pride that I rise today-pride in being a member of a government whose members were elected to restore confidence and financial stability to the affairs of this province. I consider myself privileged to be in a position to help realize the fulfilment of those aspirations.

Mr. Speaker, I wish to congratulate you on your election to your very distinguished office. It is a position of great prestige and authority. Knowing you to be a student of parliamentary affairs, I know I speak for all hon. members when I say we are confident that your decisions will be fair and just, and designed to uphold the dignity of this chamber and the privileges of its members.

As a new member of the Legislature, Mr. Speaker, [ would ask for your kind forebearance and understanding as [proceed to familiarize myself with the rules and procedures of the House.

(Translation)

Mr. Speaker, on such an important day in the life of our province, [would like to take this opportunity to thank the residents of the city of Edmundston for the great honor they have accorded me by electing me as their representative in the provincial Legislature. I assure them that I will do my utmost to work in the best interests of our city and our province.

I would like to thank the Premier of New Brunswick for the confidence he has . shown in me, and the honor he has accorded to my constituents by appointing me to the high office I now hold.

(English)

To the people of New Brunswick I wish to state that the responsibility given to me will not be borne lightly. In just a few short months since taking office I have learned, at first hand, the immense burden of office and the number of problems to be .solved. I assure you all-the general public and hon. members alike-that I will work diligently for the improvement of our province and the well-being of its people.

Mr. Speaker, it is seldom that a newly elected member is charged with the responsibility of bringing down a budget on the occasion of his maiden speech, yet I find myself in such a position today. I would like to take this opportunity to reflect briefly on the time-honored principles which govern our activities here today. It is the historic right of the people, through their parliamentary representatives, to decide how their affairs will be conducted, and most important, how public funds will be raised and spent. In order to permit the people to exercise that right, it is the duty of the executive-the government of the day-to present its financial plans to the Legislature where they may be fully debated and voted upon by the elected representatives. This procedure for public debate ensures that proposals presented to the Legislature, and those which are subsequently approved, must also at some later date face the direct vote of the individual citizens. Thus the executive must be responsible not only to the Legislature, but also, in the final analysis, responsible to the people themselves. And so it should be. It is a system which has evolved over the years and stood the test of time. We must ensure that it continues to be observed and strengthened wherever possible.

And now, Mr. Speaker, it is my duty and honor to begin that process on behalf of the new administration.

Economic Review

Following the practice of the past few years, the government will be tabling very shortly the annual economic review prepared by the Office of the Economic Advisor. It presents in considerable detail information on the economic events of the past year together with an outlook for 1971. As we are all aware, the economic events of 1970, both at home and abroad, involved the problems of inflation and rising unemployment, with central governments pursuing anti-inflationary policies. At the present time there is some indication that the rate of inflation has been checked, with Canada showing somewhat more success than the other industrialized western nations; but in terms of the resulting unemployment, at a considerably higher cost than these other nations.

For New Brunswick 1970 was a year in which, despite the effects of restrictive national economic policies, overall economic production kept up with the national rate of growth. Our gross provincial product increased by 7.5 per cent, matching the national increase. About half the gain-approximately 3.7 per cent-was due to a real increase in output, with the other half due to inflationary price increases. On the national level, real growth amounted to 3.3 per cent of the total increase in output, with 4.1 per cent due to price inflation.

Despite this equality in the value of increased overall output on the part of the province, the problem of unemployment in New Brunswick and the Atlantic region has taken on serious proportions. As the federal policy of economic restraint made itself felt in this region, unemployment rose in 1969 and stayed at this unacceptably high level in 1970. This lack of job opportunities helped cause the labour force participation rate of New Brunswick residents to decline from 49.3 per cent to 48.9 per cent. The labour force participation rate is the relationship between the number of people aged 14 years and over who are either working or seeking work, and the total number of people in that same age group. Our lower participation rate, compared to a national figure of 55.8 per cent, is due to a tendency for people to stop looking for work when economic conditions slow down. For example, this is reflected in some cases with fewer housewives seeking employment, or members of a family remaining in their rural setting rather than moving to urban areas in an attempt to find jobs which they know are not available.

It is the contention of this government that the federal unemployment statistics, although invested with a certain accuracy, do not indicate the true depth of the unemployment situation in our province. If our low labour force participation rate were taken into account by the Dominion Bureau of Statistics, then the mid-winter unemployment level in New Brunswick would show a more realistic figure closer to 12 per cent rather than the artificially low, official figure of around 9 per cent. We have made representations to the federal government to revise its method of computing unemployment figures so that the official statistics reflect more accurately the actual level of unemployment which exists in any part of the country at any given time.

Mr. Speaker, the outlook for the year ahead is both good and bad. It is good because the national and international economic situation appears to be headed for a period of improvement in the second half of 1971. This will be reinforced by the full employment budget recently presented to the United States Congress which will, if passed, have an expansionary effect on North American and world economic activity. However, the outlook is not so good from the point of view of our region, for it is a fact of economic life that improvements in the economy at the national and international levels take longer to be felt in slow growth areas than elsewhere. Thus, the outlook for the Atlantic Region is for a continuation of the present level of economic activity throughout 1971, with few significant gains. However, in the first half of 1972 we should begin to feel the start of an economic upswing.

In brief, then, the outlook for the New Brunswick economy in 1971 is for some improvement, with our increase in gross provincial product continuing at the 1970 level of 7.5 per .cent. However, the real growth component of this figure should increase to about 4.5 per cent, with price increases accounting for

only 3 per cent of the overall growth. It appears, however, that we must wait until 1972 for any significant improvement to occur in the provincial economy. (Translation)

Federal-Provincial Relations

Mr. Speaker, I will now address my remarks to several specific areas in the general field of federal-provincial relations.

Since the Legislature last met we have gone through a period of intense debate on the subject of income tax reform. When the federal government's proposals were released in November 1969 the initial reception was one of guarded optimism. However, as people had time for a more detailed appraisal of the White Paper proposals, criticism arose from virtually all parts of the economy and all levels of government.

Last June the former Minister of Finance presented the views of the provincial government on tax reform to the House of Commons Standing Committee. In his presentation the minister stated New Brunswick's objections to the proposals.

On assuming office in November, one of my first tasks, and that of the new government, was to review the province's position on tax reform. In December, at the meeting of Ministers of Finance in Ottawa, I advised the federal minister that the government of New Brunswick endorsed the suggestions and proposals contained in the former government's presentation.

To restate that position very briefly, the government of New Brunswick favors the concept of tax reform with tax relief at the lower income levels; we favor the introduction of a modest and limited form of capital gains tax, and the retention of a lower rate of corporation tax for small companies on their first $35,000 of income.

We, along with the previous government, also contend that the income tax field is an area of joint federal-provincia) responsibility, one which Ottawa shares with us. New Brunswick firmly believes that the federal government must listen closely to arguments put forward by the provinces for adequate revenue sharing. The federal government must give due recognition to the increasingly heavy financial demands being made on the provinces to provide for their constitutional responsibilities, especially in the fields of health, education and welfare. In any revised system of income taxation Ottawa must make proper allowance for provincial requirements. Despite the arguments put forward by New Brunswick and the other provinces in support of this position, there has been little indication yet that the federal government is willing to recognize in a tangible way the financial requirements of our constitutional responsibilities. (English)

My predecessor and I have both expressed the view that the proposed rates of personal income tax would strike too harshly at the middle income earners, and that increased exemptions for lower income earners would be more equitable than across-the-board exemptions for ail, rich and poor alike.

Mr. Speaker, on such an important national issue as taxation reform, an issue with equally important provincial considerations, it is reassuring to know that a similar outlook exists on the part of New Brunswick's two major political parties. I certainly hope that our unanimity on this matter is not lost on the federal policy makers.

I am sure I speak for us all when I say that we expect the federal government to demonstrate a responsible approach to tax reform by incorporating in its forthcoming legislation suggestions for improvement which were brought forth by the many responsible spokesmen during the public debate on this issue.

Mr. Speaker, there is another area of federal-provincial relations which I believe requires comment at this time. I refer to the program of federal-provincial fiscal arrangements.

The current agreement began in 1967 and was designed to run initially for a five-year term. Present arrangements expire at the end of March 1972 and renegotiation of the formal agreements and their technical contents is currently under way. It is hoped that this work might be completed by late summer or early fall.

These fiscal payments have become increasingly important to New Brunswick. They are composed of very substantial unconditional grants which are intended to bring the levels of government services in less affluent provinces up to a standard approaching the national average. As these grants increase in size, they play an increasingly important role in the overall revenue picture. In fiscal 1968 our unconditional grants totalled $67.9 million. For 1972 it is estimated that these should amount to $104.8 million.

Lately, however, the receipt of these unconditional payments has been fraught with some peril, for they have repeatedly undergone unexpected changes away from the original estimates. For example, in the current fiscal year the federal government indicated that the equalization payment to New Brunswick would be $87.3 million. The most recent estimate for the current fiscal year's grant is about $10 million less than this. Needless to say this makes responsible and accurate budgeting on the revenue side of the accounts very difficult, if not impossible to achieve.

In this regard I sympathize with my predecessor and appreciate the difficulties this problem posed for him. However, we are currently working with the federal government to develop ways and means of alleviating these problems. It appears that within six months or so mechanisms will be developed to limit the extent of downward revisions of provincial equalization payments. If so, we will have achieved a major step in improving fiscal planning by both the federal and provincial governments.

(Translation)

Mr. Speaker, another area where we are encountering difficulties in federal-provincial relations involves the withdrawal, real and attempted, by the federal government from shared-cost programs.

For example, in the new year we will be receiving the last of the money available to us under the Occupational Training Agreement which assists iJl the construction of school facilities. In addition, the grants for hospital construction have run out entirely. The effect of these program terminations is that the cost of school and hospital construction now falls entirely on provincial resources. It is difficult to accept the termination of these beneficial arrangements when the federal government then attempts to assist underemployed regions of the nation by means of a loan fund, our share of which is less than $5 million, and which does practically nothing to help our revenue position. We can question the generosity and the effectiveness of this latest federal device for assisting provincial economies.

Mr. Speaker, one would think that a bright side to this federal-provincial picture would be our relations with the Department of Regional Economic Expansion, but this is true only in part. The Multiplex Corporation has been jointly established to work on the industrial development of Saint John and prevent it from being caught in a welter of federal-provincial red tape.

On the other side of the coin, however, DREE has not been as helpful. At a time when the Trans-Canada Highway program has ended, the Department of Regional Economic Expansion is also attempting to back out of commitments made only a year ago to share the cost of certain highway construction projects in various parts of the province where work has already been undertaken. Needless to say we are making the strongest of representations to the federal authorities that they live up to their original undertakings.

In dealing with rural development problems, the program of the Community Improvement Corporation in the northeast and the Mactaquac areas will have an entirely new accent. Greater effort will now be concentrated in the field of job creation as opposed to social mobility of manpower. We are hopeful that the federal government will change its current sharing arrangements under the existing agreements so that the cost of this shift in emphasis will not be borne solely by the province. However, since we believe this to be an important and necessary shift in emphasis, the province will consider moving ahead in this direction, should the federal authorities fail to agree.

On balance, Mr. Speaker, it is my opinion that in the area of federal-provincial relations the federal government has done more in the past year to create concern on the part of this province than it has done to instil in us confidence in Ottawa's willingness to help solve some of our specific economic problems. My colleagues and I will work unremittingly to achieve a better understanding with Ottawa than that which the previous administration has bequeathed to us.

(English)

Capital Financing

Mr. Speaker, during the first half of 1970, the capital markets of North America were subject to inflationary monetary policies which helped lead to very high interest rates.

A gradual increase in the money supply in Canada, designed to remove the pressure from interest rates, became apparent early last year, and at the same time similar trends began to develop in the long-term capital markets of the United States and Europe.

By mid-1970, the bank rate had been reduced to seven per cent from its earlier high of eight per cent; the Canadian dollar was released from its fixed rate, and unemployment became the primary concern of the economy rather than inflation.

During the fall of 1970, interest rates continued to decline despite a heavy flow of new, long-term financing, particularly in the corporate sector.

The decline in rates led to new vigor in the bond markets which continued into the new year. Interest rates reached their low point during the third week in January and then moved back to slightly higher levels. To illustrate the dramatic decline in interest rates. which had occurred by January 1971, the average yield on provincial bonds was reduced by over one and one-half per cent from their all-time highs of 12 months previously, in January 1970.

Looking ahead, the movement of interest rates will depend on how successfully the Bank of Canada and the federal government can move an underemployed economy forward with appropriate monetary and fiscal policies without provoking another inflationary spiral and higher interest rates.

At the present time, the consensus of opinion seems to be that interest rates could settle around our present levels, or possibly at slightly lower levels, and then move slightly upwards again towards the end of 1971.

During the current fiscal year, the province issued a total of $53,815,000 of debentures at an average interest rate of 8.03 per cent. Two issues were sold publicly on the Canadian market-an issue of $8 million 9-1/2 per cent debentures in June 1970, and an issue of $20 million 7-3/4 per cent debentures in January 1971. The interest rates on these two issues indicate very graphically the large improvement in rates over the last 10 months. In addition, a total of 125,815,000 of provincial debentures were sold to the Canada Pension Plan Investment Fund at an average rate of 7.80 per cent.

The province's short-term borrowing program has been less extensive than in previous years. For several months the provincial treasury operated in a substantial cash surplus position and was able to invest funds, not immediately required for expenditures, in chartered bank swap deposits. For the. remainder of the year a cash deficit position was covered by an appropriate mix of short-term treasury bills and chartered bank loans.

As part of the province's capital fmancing program, public relations activities were carried out in 1970 to acquaint executives of major investment institutions with New Brunswick and its economic potential. Receptions were held last spring in Toronto, Montreal, Boston and New York. The attendance and interest shown in New Brunswick at these receptions were apparently quite good. The government will be reviewing this aspect of the provincial financial and publicity operations to determine what new activities or areas might be opened up to attract more investment in provincial securities and industrial undertakings.

The syndicate of investment dealers, which had been acting as the province's fiscal agen ts since 1967, was reconstituted. The syndicate now comprises 14 national firms and is managed by a group of four of these firms. I would like, at this time, to thank the previous syndicate managers for the advice and assistance which they extended to the province during their tenure as managers, and to express my pleasure that they have accepted our invitation to participate in the new arrangements.

(Translation)

Collective Bargaining

Mr. Speaker, the province has recently completed its first full year under a system of collective bargaining in the public service.

Under the current structure the scope of the public service covers not only what we know as civil servants but also teachers, hospital employees and the staffs of several provincial boards and commissions; a total of approximately 27,000 employees.

Full collective bargaining rights for public service employees is now a fact in New Brunswick. Perhaps prematurely, the previous government proclaimed the Public Service Labour Relations Act effective December I, 1969. I say "perhaps prematurely", not because we are opposed to employee participation in the determination of their working conditions, but rather my hesitation is based on the fact that proclamation preceded full disclosure of the province's true fiscal and net debt position. Moreover, inadequate time was given to ensuring in advance sufficiently trained, permanent staff to provide an effective and well-rounded program. I shall be moving to correct this deficiency in the very near future.

Although a number of collective bargaining agreements were signed before this government came into office, the bulk of employees, in terms of numbers, still remain to either organize themselves into bargaining units or to complete their negotiations with the government. As of this date, 14 collective agreements have been signed covering 6,600 employees. There are at present 10 bargaining units covering 17,000 employees in various stages of the bargaining procedure. Another 13 groups have not yet availed themselves of the collective bargaining procedures.

The government intends to continue its efforts to negotiate satisfactory agreements, but at the same time we contend that we have a grave responsibility to the taxpayers of New Brunswick. Fair wages, yes; but excessive demands must be contested. When one sector of the public service submits an initial position which in the short period of one year would place upon the shoulders of the taxpayers an additional burden of approximately $16 million-and I refer to the New Brunswick Teachers Federation-we feel that our negotiators must react in a fair, but firm way if we are to responsibly exercise our mandate. In summary, then, our aim is to achieve just, yet reasonable settlements in the area of public service negotiations.

While I have directed my remarks to collective bargaining because of the heavy expenditures involved, let me emphasize that there are other important aspects of personnel policy which involve the public service. A crucial area which requires additional emphasis is that of pay research and the matter of pay determination for persons and classes not bargaining. We plan to undertake more intensive work in this area.

The maintenance of an equitable classification system, kept under constant surveillance, is another essential personnel function. To illustrate the volume of work involved in job classifications, during the first 12 months of operation under the new program the Treasury Board dealt with approximately 1,500 individual submissions from the Personnel Policy Division, many affecting more than one employee.

As an industry, one of government's primary aims must be the maintenance of a sound personnel program. If we are to attract and retain the calibre of employee necessary to serve our needs effectively, we must create an environment which rewards performance and eliminates waste and inefficiency.

In order to move more effectively in this direction, the government will, as I have already said, be strengthening its personnel and collective bargaining functions.

(English)

Financial Results - 1970·71

Mr. Speaker, as is the usual practice with a change in administration, and in keeping with our pledge to the people of the province, one of the first items of business undertaken by the new government was the appointment of an independent fum of auditors to review the province's financial position. To carry out this important task we engaged the same firm which had acted as the province's auditors and accounting consultants from 1925 to the present day, and which carried out similar financial reviews on the changes of government in 1952 and 1960. Their work was carried out over a period of two and one-half months and the results were made public a short time ago.

The findings indicate that the estimated increase in net debt for the fiscal year ending March 31, 1971 will be $53.1 million, compared with the original budget estimate of $14 million. This large increase is arrived at by an overall decline of $4 million in revenues and an overall increase on the expenditure side

of $35 million.

I wish to emphasize that these figures were prepared by an independent firm, one which has served successive New Brunswick governments since 1925. The estimated figures they presented to the province are based on the actual results for 10 of the 12 months of the fiscal year-the 10 most active months in terms of provincial spending activity. The estimates for the full year, therefore, rest on a very solid factual base.

The accuracy of these figures cannot be challenged, and it was very heartening to read in the Saint John press on February 27 that my predecessor is of the same opinion. I wish to thank him for his comments, for they point out that the professional reputation of our independent auditors, as well as the quality of their work, is beyond question .

But what of this large increase, Mr. Speaker? It goes without saying that my ~ colleagues and I expected to find some overspending. But the magnitude of the !. spending increases and other commitments which was finally revealed was as \surprising to the new government as, I am sure, it was to the general public. It

appears, Mr. Speaker, that the previous government in its desperate bid present a favorable pre-election budget last spring completely lost track of the value of their financial commitments, overexpenditures, and other costly maneuvers. Since the auditors' review, additional commitments have come to light which will have the effect of raising the estimated increase in net debt by a further $1 million to a total of $54.1 million. This will put the province's total net debt at $355 million or $566 per capita.

In our opinion, Mr. Speaker, this growth in the level of debt must be controlled. For the past few years the province has been able to support the service charges on its debt from ordinary revenue sources. However, as the independent financial review points out, provincial revenues have increased largely because of higher taxes imposed on our people and larger transfer payments from the federal government. Since our tax rates are presently among the highest in the country, it appears that few, if any, significant increases can be expected from that quarter. It is, therefore, imperative that the spiraling rate of increase in provincial expenditures and net debt be kept in check, so that in future a smaller portion of our revenues is required for the payment of debt service charges.

Money going out in interest and sinking fund payments could be put to better use in other areas, by improving essential services, introducing new ones, or perhaps offering the possibility of some taxation relief.

Mr. Speaker, since 1967 the rate of growth in our net debt has averaged over $30 million a year. We shalI strive to restrain this rate of annual increase in the years ahead by improved policy planning, and making more efficient use of our financial manpower resources. The budget I am presenting today is the first step in that direction.

(Translation) Budget Policy

And now, Mr. Speaker, I turn to the financial plans for the year 1971-72.

When the government took office in November it assumed responsibility for the direction of many large and complex programs. The previous government had already prepared its preliminary departmental budget plans. These were immediately recalled and the new ministers.i individually in their departments and collectively as cabinet, undertook an intensive review of programs, services and priorities.

I am sure you can appreciate that after more than a decade under one administration it would require more than four months on the part of the new management team to reshape and modify the priority requirements of the province,

It soon became apparent that a number of major areas required extensive review. In the short time the government has been in office we have identified programs which require careful examination into their usefulness, the rationale for their present form, and their ability to provide an acceptable level of service. In this same period we have identified neglected areas where action is required to improve the efficiency of government operations, to correct social injustice, to protect our environment, and generally to bring the rising costs of doing business under control.

We have made a start in all these areas, Mr. Speaker, but only a start. The province is saddled with costly programs which will require more investigation before we can say that they are running at acceptable levels or in the proper direction, or that they must be revised, trimmed down, or phased out.

So the budget I present to you today is not entirely of our own making.

Much of it we have inherited and must live with for the next year. The large school construction and consolidation program involving expensive building standards, costly school transportation systems and the possibility of adverse effects on children and family life must be weighed against the educational benefits which may result from it. The proliferation and overlapping functions of agencies involving industrial development and promotion; the underutilization and possibility of inefficient allocation of our forest resources and the resulting loss to the province in terms of production and employment; the organization and administration of the province's social welfare system-all these areas of major concern require a great deal of work to be done on them before the government can say it is satisfied with existing performances in relation to tax dollars they consume and the benefits they bring to the province. There is a great deal of work yet to be done before these problems are sorted out.

(English)

While reviewing existing programs, Mr. Speaker, we are perfectly well aware that gaps and deficiencies exist in some areas of provincial life which this government is capable of rectifying. This budget includes provision for positive steps to be taken to improve the well-being of our population.

First, however, let me outline our plans for dealing with some of the problems we have inherited.

A Cabinet Secretariat has been established to undertake analysis, provide information, and coordinate work on the many competing and complex proposals which come before cabinet. A system has been introduced which now provides cabinet with much fuller information on which to base its decisions. This long overdue administrative improvement was needed to permit ministers to deal more effectively with the large volume of complex business which now comes before them.

Provision is made for a separate Department of Welfare to ensure greater attention of a cabinet minister and senior professional staff in this vital and expensive area. Work is now under way to improve the delivery of welfare services for the benefit of both the welfare recipient and the taxpayer alike. Other changes will await the report of the Task Force on Social Development.

We are all aware that for some time serious problems have existed in the various industries based on our forest resources. Provision is made for the undertaking of a detailed study of New Brunswick's greatest natural resource. From this, we are confident, will come the necessary information to permit development of the full economic potential of our woodlands, leading to more jobs and a more stable industrial base. In the meantime a forest products marketing board will be set up to obtain better market prices for small woodlot

owners.

Several years ago the province embarked on a major program of school consolidation and the construction of new, large modern school complexes. Unfortunately, this program has been subject to many growing pains and some criticism. In the new year the government will review the entire program of school planning and construction, including the allocation of responsibilities for school planning within government departments and the responsibilities for local school board operations and school planning between the government and school boards. In the meantime, in an attempt to alleviate the serious problems arising from the use of complex mechanical systems in these modern buildings, the Department of Public Works will begin a program of preventative maintenance. The department will be working with the local school boards to head off technical problems before they reach the point where the educational

process is disrupted.

The government will proceed in the new year with the planning and construction of new school facilities where contracts have been entered into by the province. The volume of work to be carried out on these contracts in the new year amounts to $13.9 million. This includes the cost of work on those new contracts, totalling over $21 million, which were apparently entered into with such haste by the previOUS administration in their last few months of office. At the same time, we will also move forward with work on other new school facilities with a construction value of $5 million in the new year.

The federal program of financial assistance for school construction under the Technical and Vocational Training and the Occupational Training Agreements will expire in the new fiscal year. Over the life of these agreements New Brunswick will have received $42.8 million to assist in new school construction.

Unfortunately, the new government now finds that on taking office this cupboard is quite literally bare of future federal sharing. With its massive school construction program of the past few years the province has undertaken or committed itself to projects in excess of the original shared-cost allocation. We are now faced with a large spending program of $15.1 million in the new year on which a final recovery of only $3.5 million will be received. From now on the full cost of school construction, with the exception of special arrangements in the Saint John and Moncton growth centres, will fall on the provincial treasury. It is therefore more vital than ever that we review our school construction and planning program to ensure that it is based on rational considerations, is within our financial means, and considers the best interests of

the students, their parents and their teachers.

(Translation)

Mr. Speaker, over the past few years members of my political party in the Legislature have spoken of the need for a more consolidated and rational approach to industrial development. In our opinion, there appeared to be far too many competing and overlapping government agencies and departments all promoting industrial development. However laudable the intent of the previous administration in creating new bodies to carry out this function, the fact remains that we have now been able to determine at first hand that the many units of government involved often duplicated each other's work and operated in an uncoordinated fashion without any central direction or control.

The government has taken some initial steps to correct this situation and will continue its critical analysis of the problem before suggesting a proper solution. In this vital area we believe that hasty action would be as ill-advised as was the development of the present uncoordinated system. In the meantime the Department of Economic Growth will be provided with increased resources to enable it to begin a more active and thorough program of technical and managerial assistance to private industry. The first steps have been taken to restructure this department and strengthen its professional staff. For the first time the province will put into operation a full-time transportation research unit to be concerned with the economics of all phases of transportation as they affect the development of New Brunswick. It will cover not only highways but rail, sea and air transport problems as well.

In the field of language training and bilingualism in the public service, the government has decided to speed up this process consistent with achieving sound results. Greater provision will be made in the new year for document translation services, the translation of the provincial statutes, language training for our public servants and the provision of translation facilities in provincial courts. The dollar value of these services in the new year amounts to $557,000, more than $200,000 over the amount to be spent in the current fiscal year.

Mr. Speaker, despite the many problems inherited froin the previous administration with which we are presently occupied and for which some specific interim proposals have been made, we have also committed ourselves to introduce new measures for which real needs exist in New Brunswick.

The establishment of the Department of Tourism, with a total budget of $2.9 million and the full-time attention of a cabinet minister and professional staff, will permit us to start a program designed to make our province better known and more attractive to the travelling public. From this will follow economic benefits to the province and especially to those people engaged in providing services to the tourist industry.

For several years, Mr. Speaker, the subject of legal aid has been debated in this chamber and in the press. The government believes that the time has come to end the talking and take positive action. The law, and its ability to meet people's 'needs, is a subject about which the less affluent can say, with some truth, that there is one law for the rich and another law, or no law, for the poor. In the new fiscal year we intend to implement a system of legal aid in criminal matters and hope eventually to extend this program to cover civil proceedings. The implementation date for legal aid in criminal cases will be January I, 1972 and is budgeted at a cost of $300,000. Funds are also provided to compensate the innocent victims of crime, to begin a continuous program of law reform, and to institute a system of family courts. These programs are estimated to cost $538,000 and should have a wide and beneficial effect on all parts of the province.

We are all aware of the high level of unemployment which is currently upon us. An important aspect of this problem is the additional stress placed on the labour market each spring as thousands of students leave their classrooms in search of summer and permanent employment. The budgets of our departments provide for the usual volume of summer help, of which a large part is recruited from student ranks. However, the government of New Brunswick does not think this may be sufficient to take care of our student work force this summer. We hope to learn soon the details of the federal government's plans to assist with this problem and to supplement our own efforts. New Brunswick hopes Ottawa will move quickly to reassure the student population that work will also be available for them on federal projects in our province.

In 1971-72 assistance to agriculture will be increased by introducing a dairy-beef cattle adjustment program to encourage the block selling of dairy herds within the province in order to retain the New Brunswick quota of federal milk subsidies. In order to ensure an adequate supply of pork to our meat processing plants, the Department of Agriculture will provide assistance to farmers in the construction of new hog barns. Assistance will provide up to 30 ~r cent of the cost of a new hog barn to a maximum of $4,000.

(English)

Mr. Speaker, the fiscal year of 1971-72 will see the first full year of operation for the New Brunswick medical services plan. Milked of our tax dollars for several years by the federal government's medicare tax without any compensating benefits, the people of New Brunswick are now receiving the medical attention they deserve and have been paying for. Our estimates indicate that the federal government will contribute $15.5 million towards our plan in 1971-72. Total medicare costs, both services and administration, will amount to $25 million. This is a net additional cost of $9.5 million which will be financed by the province without the imposition of any premiums or special taxes.

This is an expensive program, but it is an expense which is worth the price, for it will bring medical attention to all who could not otherwise afford it. The introduction of the system on January 1 was orderly and without any serious stresses on our medical delivery systems. It has been well received by both the medical profession and the general public. It will do much to improve the quality of life in New Brunswick.

Another area of social need in New Brunswick is that of housing. In the new year the budget will provide the New Brunswick Housing Corporation with $3.2 million, which will result in a construction program of over $19.2 million. This budget for the new year will enable the Housing Corporation to build an additional 364 new family dwellings, 320 new units for senior citizens and 50 new co-operative housing units, for a total of 734 new units in various locations around the province. This will be the largest number of new starts to be undertaken by the corporation in a single year.

In the new year the government will take steps to begin the transfer of the two provincial teachers colleges to the universities where they are situated, as recommended in the Duffie Report on Teacher Education and Training. As an intermediate step, and again accepting the recommendation of the Duffie Report, tuition fees will be charged students attending Teachers College and Ecole Normale beginning with first year students enrolling in the next academic year. At the same time, additional funds are budgeted in the Department of Youth's provincial bursary program. This will ensure that students enrolling in our teachers colleges who are unable to secure funds for the full cost of their higher education from their own resources will be provided for.

Mr. Speaker, the budget on ordinary account also provides a figure of $7 million to cover the cost of salary reviews, new collective bargaining agreements and any additional funds required for our summer employment program for students. Our total ordinary account expenditures amount to $435.2 million.

On capital account total planned spending amounts to $77.3 million. Of this, $41.6 million is for highways; $25.8 million is for the construction of provincial buildings, public schools and hospitals; $5.5 million for university capital construction; and $4.4 million for the capital requirements of the Community Improvement Corporation in the northeast ·and the Mactaquac development areas.

Our capital program for provincial buildings has been restricted in the new year to $640,000. Included in this figure are funds to permit the construction of new office facilities for the provincial Department of Agriculture at the Canada Experimental Farm on the outskirts of Fredericton. Funds are also provided for the construction of new provincial tourist bureaus at two major tourist entry points: on Highway No. 1 north of St. Andrews, and near the junction of the Trans-Canada Highway and Interstate Highway 95 in the Woodstock area.

Funds are also available to permit the government to begin a thorough review of our provincial jail needs. We have found that this subject was virtually neglected by the previous administration. During the year the Departments of Justice, Welfare and Public Works will commence an assessment of our program requirements and building needs, then prepare preliminary plans so that actual construction can begin in the following year.

Mr. Speaker, I have already referred to the fact that long standing federal sharing arrangements on major capital expenditure items have either ended or are about to end. Hospital construction grants are no longer available; a final small payment for vocational school construction will be received in 1971-72, and the Trans-Canada Highway sharing will also end next year.

The conjunction of these adverse developments in capital cost sharing comes at an unfortunate time for the province. Our highways and bridges require major upgrading and there are many school construction projects under way which will no longer receive federal assistance. The withdrawal of federal funds will be felt most severely by New Brunswick in the area of hospital construction. This occurs at a time when we are about to embark on a major program of improving our provincial stock of hospital facilities. Despite this, however, the government is proceeding with the planning and preparation of a realistic construction program. It is the opinion of the Progressive Conservative government that the province's hospital needs can no longer be ignored.

Mr. Speaker, our total spending requirements in the new year on ordinary and capital accounts will amount to $ 512.5 million. This represents an increase of $26.4 million, or only 5.4 per cent over the revised estimated figure for the current year. This modest increase reflects the first full year's costs of medicare, provides for .large school and highway construction programs, collective bargaining costs, the introduction of new services, and recognizes the loss of federal shared-cost funds. It indicates that the government has, in just a few short months, come to grips with the rising cost of government services and exerted some long needed controls on them.

(Translation)

Provincial Revenues

And now, Mr. Speaker, we must consider the means of financing this expenditure program.

When my colleagues and I sought a mandate from the people of New Brunswick last October, we pledged to hold the line on taxes and to reduce the tax burden as soon as possible.

It is now a mater of public record that within a few weeks of taking office the Progressive Conservative government removed the eight per cent sales tax on building materials. This was done to encourage growth in the housing and construction industries and to provide greater employment opportunities.

The budget I am presenting today fulfils another of our commitments to thepeople of New Brunswick. I am projecting estimated budgetary revenues at $481.3 million, with no tax increases.

Our revenues in the new year will be derived from three main sources. Federal contributions toward shared-cost programs will yield $ 113.2 million,or 23.5. per cent of total expected revenues. Unconditional transfer payments from Ottawa will yield $104.8 million, or 21.8 per cent of total revenues. Our own provincial revenue sources, which include income and various consumer taxes and a variety of miscellaneous revenue items, are expected to yield $263.3million, or 54.7 per cent of total revenues

In projecting these estimates we have incorporated several changes.

Under the Social Services and Education Tax Act, the rate of commission paid to vendors who collect the sales tax will be reduced from two per cent on all collections to a rate of two per cent on the first $250 of sales tax collected each month, and one per cent on the remainder. This change recognizes the higher cost to smaller vendors of collecting and recording sales tax receipts, and ensures that smaller vendors are not penalized by a reduction in the rate of commission which will go into effect on April 1. This change will result in an estimated revenue increase of $500,000.

The sales tax exemption on new railway rolling stock and materials used to repair rolling stock in the province will be removed effective April 1. This will result in an estimated revenue increase of $100,000.

Effective April 1 the New Brunswick Liquor control Commission will revise its pricing policy so that any price increases by the manufacturers will be passed ( on to consumers by means of a monthly revision in the commission's price list. In the past such revisions have been made at irregular intervals. This meant that the commission, in some cases, absorbed the manufacturers' price increases for parts of the year. This change should result in an estimated increase in sales tax revenues and commission profits of $ 250,000.

Effective April 1 the commission paid to tobacco tax collectors will be reduced from four per cent to two per cent. This will yield an additional revenue of $110,000.

Under the Gasoline and Motive Fuel Tax Act the government proposes to remove the present exemption on aircraft gasoline, effective April 1, and to apply the tax at the rate of three cents per gallon in line with several other provinces.The estimated Increase in revenue from this source will amount to $165,000.

Mr. Speaker, these changes will yield, in total, an additional $1,125,000 in revenue.

In keeping with this government's demonstrated policy of recording the province's financial entries on a basis consistent with our long-standing practice of accrual accounting, we shall begin in 1971-72 to reflect this practice with respect to motor vehicle revenues. For many years now it has been customary to account for motor vehicle license fees on a fiscal year basis, despite the fact that the period of legal validity is the calendar year. License revenue collected from January 1 to March 31 each year was held over and shown entirely in the accounts for the fiscal year beginning April 1.

We now propose to account for these revenues in a manner consistent with our other accounting procedures as they affect calendar year payments; that is, one-quarter of the receipts will be recorded for the year in which they were collected and only three-quarters of the receipts will be carried forward into the new fiscal year.

This procedure will result in a net gain of $2 million in the new fiscal year. I

wish to make very clear, however, that this is a once-and-for-ell gain which will not recur in following years. Revenue from motor vehicle fees will revert to their usual order of magnitude in 1972-73.

This windfall gain will help us to finance provincial services for the coming year while the government carries on its review of major programs and accommodates itself to the revenue loss occasioned by the withdrawal of federal shared-cost funds from highway, school and hospital construction projects."

Mr. Speaker, because of the tremendous pressure on government expenditures resulting from a decade in which the previous administration was unable to control the growth of its programs and their costs, it will not be possible in the new year to proceed with additional tax reductions. As I have said, it will take some time before the problems created by the former administration can be untangled and corrective measures taken to introduce realistic and cost-saving plans.

In the new year, the government will review the regulations and administrative procedures governing the operation of our tax system to see if it can be made more efficient. We shall also review the feasibility of introducing a provincial lottery to provide a new revenue source as a replacement for the loss of federal shared-cost funds.

To sum up the revenue situation, Mr. Speaker, our anticipated revenues on ordinary account will amount to $452.3 million. On capital account, recoveries will only be $29 million against planned capital spending of $77.3 million. (English)

Conclusion

Mr. Speaker, the new Progressive Conservative government has been accused by the opposition of advocating and planning a policy of retrenchment. To this absurd and deliberate attempt to mislead the public there can only be one answer-nonsense! The budget for the new fiscal year refutes absolutely the opposition's irresponsible statements.