

BUDGET ADDRESS

Hon. J. N. Allan (Provincial Treasurer): Mr. Speaker, one year ago today, as I rose to present my first budget, I mentioned that I was delighted to have all former Treasurers of this province, who are now living, in the House. I am pleased to say again that we have the pleasure of having those same 3 Treasurers with us today.

Mr. W. H. Price, a former Treasurer of this province, presented his first budget to this House just 36 years ago this day. We are delighted to have him with us and see him enjoying such splendid health.

We are likewise delighted to have another former Treasurer with us—the hon. Chief Justice Porter. I have been told that, when the hon. Chief Justice Porter was Treasurer, the surplus was so large that it was embarrassing. It can hardly be said that those conditions prevail today.

It is correct to say, however, that our revenues have increased very greatly since that time; likewise it may be said that the various departments of government seem to have made excellent progress in developing the art of disbursing money. So the possibility of complaint that might arise from our surplus being too large is not giving us any great concern.

I am sure every hon. member of this House appreciates the hon. Chief Justice's attendance today, and we hope that he will form the habit of being with us every budget day.

It is hardly necessary to welcome the other former Treasurer of this House because we have him with us always. The hon. Prime Minister (Mr. Frost) is a real veteran. The hon. Prime Minister presented 14 budgets to this House, all without any increase in taxation. I doubt if that record will ever be equalled.

It is a great pleasure, also, to welcome hon. Justice Walsh here this afternoon. It might be said that he is truly interested in the financial affairs of the government of this province, and I believe since 1943 has only missed one budget day. We hope that he will be with us again as well.

Another noted gentleman I would like to welcome this afternoon is our esteemed friend George Dunbar. I am sure that he has been missed by every hon. member of this House and we are delighted that he has been kind enough to visit us this day.

We are pleased to welcome several representatives of the financial community. I might say that they too perform a splendid service for the people of this province, and we appreciate their interest in the statement that will be made today.

Now, in the preparation of this budget I have again followed in a general way the pattern of former Treasurers, with one exception. I have discontinued the use of the highway construction account. This, I may say, was done largely for the reason that my hon. friend from Grey South (Mr. Oliver) has, over the years, objected strenuously to the inclusion of this item in the budget. We on this side of the House are most anxious to contribute to the happiness of the hon. member, and we hope this action will do just that.

An additional reason for discontinuing this item in the budget is that it was our feeling that such action would simplify the task of preparing financial statements of the various years' operation of government.

This budget statement, Mr. Speaker, with the various appendices attached, is again a document that contains a very great deal of information. I would like at this time to express my sincere appreciation to the staff of The Provincial Treasurer's Department and to the staff of The Department of Economics for their exceptionally capable assistance in the preparation of this document.

It is not my intention, Mr. Speaker, to go into detail in presenting this budget statement, but I intend rather to outline, in a general way, the financial activities of the government during the present fiscal year and indicate the plan of the government for the coming year.

In my budget of last year, which I brought down just one year ago today, there were greater provisions for education, health, welfare, highways, the development of our resources, and assistance to our municipalities than ever before in our history. I confess the task of finding the money to finance that huge programme impressed me, at that time, as being formidable and the most challenging I had ever undertaken.

I am now able to report to the House that, by sound business-like administration, by economizing and saving at every opportunity, and by reason of the buoyant revenues that

have been associated with the business upturn, we have finished the year in a stronger position than was anticipated. This, I think, is reason for gratification.

A year ago, I said that we had weathered the economic blizzard better than most jurisdictions, and were commencing a new year in which the signs of recovery and gathering strength were clearly evident. The confidence I expressed then has proved to have been fully justified.

During the past year, new ground was broken in nearly all major fields of economic activity. New records of population, employment, production, personal incomes and retail sales were established. Births reached a new peak of nearly 161,000—more than double those of just 15 years ago. Population increased by 153,000. Early in October Ontario's population crossed the 6-million mark and today stands at 6,065,000.

The labour force increased by 35,000, but as the number at work rose by 50,000, the average rate of unemployment in 1959 was 20 per cent. lower than in the previous year.

Capital investment again maintained its \$3 billion level. A moderate decline in investment in housing, which in 1958 had attained a rate of activity which could not be sustained, was offset by increased outlays for new factories, machinery, equipment and public facilities. Despite the downward trend in housing, the completion of over 54,000 units in 1959 made it the second best year in our history.

Industrial output, particularly in the manufacture of iron and steel products, surged upward. Manufacturing shipments totalled \$11.5 billion, 8 per cent. above those in 1958 and 4 per cent. above the previous peak established in 1957. A sharp expansion in sales of uranium, iron ore and nickel carried the value of mineral output to a new peak of \$963 million—22 per cent. above the previous year and 5 times our production just 15 years ago. The production of pulp and paper, one of Ontario's leading export commodities, rose by 3 per cent.—another record. Farm cash income established a new peak. Personal incomes rose to over \$10.5 billion—up 7 per cent. as were retail sales.

Looking ahead, our prospects for the next year are undiminished. The rapid growth of our domestic market, as well as that of our trading partners, offers unrivalled opportunities. Capital investment is expected to remain at its present high level, with the emphasis on additions to machinery and equipment and overall productive capacity. Despite setbacks which will occur in particular sectors of our economy, the strong underlying forces of growth suggest another year of better-than-average progress.

We must, of course, be on guard against complacency. There will inevitably be dislocations in some sectors of the economy and a need for adjustment. We must endeavour to insure that business costs, including wage costs, do not get out of line with the increase in our productivity and our ability to compete in both domestic and foreign markets. We have seen a heartening increase in manufacturing in our province. We must aim to sustain this and expand it.

We must also have regard for what we can finance from the savings of our own people. If we maintain fiscal integrity and sound methods of financing, business will prosper and expand. We have highly varied industries, comprehensive merchandising and financial services, a skilled labour force, a highly developed system of transportation, ample water, and an abundance of other natural resources. Backed by stable government, we can offer an irresistible combination of sound business environment and attractive community life.

And we have been doing just that. Ten years ago Ontario's population formed 32.6 per cent. of the Canadian total; now we have 34.2 per cent. of the nation's population. That is a very significant change. For the last decade we have been growing more rapidly than the rest of Canada. Despite the spectacular development of other parts of Canada, Ontario still accounts for half the nation's manufacturing output, as well as 40 per cent. of its mineral production, 30 per cent. of its agricultural output, and one-third of its pulp and paper.

Thirty-seven per cent. of Canada's capital investment takes place in this province and 38 per cent. of all retail and consumer sales.

These are striking facts. They help to explain why by far the largest proportion of capital and industries from abroad locate in Ontario, and why over half of all the immigrants to Canada settle in this province.

People like to settle in Ontario where things are happening. Here is an educational system of the highest order. Here are diversified occupations and industries. Here is a secure environment for capital investment. We are the heart of Canada's domestic market, and we border on 8 states with a population in excess of 65 million people. Given proper incentives and sound management, we are assured of continuing growth and expansion.

It is against this background of progressive development and expansion that I wish to outline our budget policy, and then to describe our financial position in the current fiscal year and our forecast of revenue and expenditure for the next fiscal year ending March 31, 1961.

BUDGET POLICY

The preparation of a budget begins at least a year and a half before the end of a fiscal year, and net revenues and expenditures and increases in debt can be only approximations. This, of course, creates great difficulties in achieving accuracy. Changes in the tempo of economic activity in the province may justify moderation or adjustment in spending. An unexpected increase in unemployment may dictate an acceleration of capital spending.

On the other hand, a rise in employment may call for a stretch-out in the programme to a degree that would achieve tangible savings without creating serious disruptions and loss of confidence.

Anyone who is familiar with budgeting knows that it is simply impracticable to slash expenditures willy-nilly or arbitrarily. Many expenditures are uncontrollable.

For instance, interest on the capital debt must be paid and is a significant factor in our budget. Furthermore, about two-fifths of Ontario's budget represents provincial assistance to the municipalities for education, health, welfare, roads and a variety of other local services. The drastic pruning of these expenditures would create a state of chaos in municipal finance.

There are also responsibilities to the suppliers and employees involved in other services provided by the province, for example, the operation of hospitals and the construction and maintenance of highways.

The summary of our operations for the current fiscal year, which I shall now give, shows a more favourable outcome than could have been anticipated a year ago. This has been effected in part by the improvement in business which has produced larger tax revenues.

But the strengthening in our position has also been achieved by the exercise of tighter budgetary control which has produced significant savings. It is my expectation that with the reorganization of the secretariat to the Treasury Board and the establishment of an organization and methods unit even greater efficiency and savings can be realized.

I am, therefore, happy to report that from our surplus on ordinary account, which is the seventeenth consecutive surplus of this government, we have been able to finance from ordinary revenue over half of the province's new construction and capital expenditures. In these years of extraordinary growth and development, that is a notable achievement.

REVIEW OF OUR FINANCIAL POSITION FOR THE FISCAL YEAR 1959-1960

As the pace of the Ontario economy accelerated in 1959, and the tight money situation emerged in the capital markets—a combination of circumstances that raised interest rates to the highest level in more than a quarter of a century—we undertook a re-examination of our spending programme for this current year with a view to paring any outlays, no matter how desirable, which could, for the time being, be deferred.

In consequence of this policy, we were able to reduce our expenditures below appropriations. Our net ordinary expenditure was cut by \$12.5 million and our net capital expenditure by \$19.5 million, thereby effecting a saving in our appropriations of \$32 million. Final figures will probably show that even greater savings have been achieved, but as against these we are proposing to pay out supplementary estimates of \$8.2 million.

Our net ordinary expenditure, including \$18.1 million for sinking fund and \$15 million for highway construction account in the fiscal year ending March 31, 1960, is estimated at

\$633.1 million. Of this amount \$204.1 million, or almost one-third, has been paid out for education; \$85.1 million for health; \$89.4 million for the maintenance of highways and roads; \$45.4 million for public welfare; and various amounts for other departments and for debt interest. More than half our net ordinary expenditure has been devoted to education, health and welfare.

Over and above our expenditure on ordinary account, we have spent \$228.7 million for capital purposes, of which an estimated \$178.9 million has been for highways. The construction of Ontario Hospitals and other public works—including conservation projects—required \$45.9 million, while mining and forest access roads, and the rural power bonus, accounted for the balance of \$3.9 million.

The combined net ordinary and capital expenditure of the province in 1959-1960 will therefore total an estimated \$861.8 million, \$66.7 million over that of 1958-1959; or if appropriations for highway construction account are excluded in both years, the increase in 1959-1960 over that in 1958-1959 is \$96.7 million.

As I have indicated, this increase is largely concentrated on additional assistance to municipalities, payments to school boards and universities, and increased expenditure for health, highways and other services that have been associated with the growth in our population and the expansion of industry.

Business expansion and the rise in personal incomes brought about an estimated increase in our revenues in 1959-1960 to \$699.7 million, \$57.3 million above those in 1958-1959. Our principal sources of revenue have been as follows: Corporations taxation \$175 million, up \$16.2 million; gasoline and diesel fuel taxes \$158.5 million, an increase of \$7.1 million; motor vehicle licences \$58 million, an increase of \$6.5 million; liquor control board profits and fees \$76.7 million, up \$2 million, and succession duties \$34.5 million, up \$1 million. Including capital receipts, our revenue in 1959-1960 totalled \$702 million, an increase of \$54.3 million over that in 1958-1959.

The interim residual surplus of the province is estimated at \$632,000, after making provision of \$18.1 million for sinking fund, transferring \$15 million to highway construction account and financing \$66 million of capital construction out of ordinary revenue.

SPECIAL GRANTS AND PAYMENTS

As in the past, I propose at this session to provide a number of special grants and payments for certain educational, health and superannuation purposes. These will include grants of \$100,000 to the Ontario Heart Foundation, \$100,000 to the Ontario College of Art, \$75,000 to the Royal Ontario Museum, \$48,100 to the Ontario Society for Crippled Children, and sundry grants to the Canadian Mothercraft Centre, Toronto; Illahee Lodge, Cobourg; and the convalescent children's camp at Burlington.

We are also proposing to appropriate \$5 million of this year's revenue to enable special grants to be made to public general hospitals for debt retirement and other capital purposes. A basic grant of \$75 per bed will be paid to all approved public general hospitals. In addition, special payments will be made to a limited number of hospitals in accordance with their need.

When the hospital insurance plan came into effect on January 1, 1959, limits were set on the amount of profit that public hospitals could make from semi-private and private accommodation and other special services. As a result, a small number of hospitals carrying relatively large debts have been unable to make adequate provision for repayment of their indebtedness.

Thus, from this \$5 million appropriation, which I am asking the House to approve, payments will be made to help to meet this situation and to provide general financial assistance of \$75 per bed to all hospitals.

A supplementary estimate of \$900,000 will be provided to reimburse the hospital services commission for expenditures relating to the mental health care and treatment of patients in certain hospitals other than provincial institutions. Under the arrangement that has been

established, the hospital services commission undertakes to pay these hospitals, where patients are taking treatment for mental illness, at the same rate as treatment would be provided in an Ontario Hospital.

In addition to these amounts, we are proposing again to make special payments of \$1 million each to the public service superannuation fund and the teachers' superannuation fund.

Supplementary estimates totalling \$8,238,000 will therefore be submitted to permit these grants and payments to be made. A summary follows:

Education:	
Ontario College of Art—for capital purposes.....	\$ 100,000
Royal Ontario Museum—for capital purposes.....	75,000
Teachers' Superannuation Fund—special contribution.....	1,000,000
Health:	
Special Grants to Public Hospitals under the authority of The Public Hospitals Act and the regulations thereunder.....	5,000,000
Reimbursement of the Hospital Services Commission of Ontario for expenditures relating to mental health care.....	900,000
Ontario Heart Foundation.....	100,000
Convalescent Children's Camp, Burlington.....	6,100
Illahee Lodge, Cobourg.....	4,800
Ontario Society for Crippled Children, Convalescent Camps.....	48,100
Canadian Mothercraft Centre, Toronto.....	4,000
Other:	
Special contribution to the Public Service Superannuation Fund.....	1,000,000
TOTAL.....	<u>\$8,238,000</u>

INVESTMENT IN PHYSICAL ASSETS AND NET CAPITAL DEBT

Few people, I am sure, are aware of the huge accretion of physical capital in this province over the last decade and a half. In this period, the government of Ontario has invested \$1.5 billion in physical assets which are recorded in the budget statement and public accounts under the heading of "capital disbursements."

In addition to these capital disbursements, we pay out of our current revenue, under expenditure headings classified as "ordinary", many millions of dollars annually, to meet the province's share of principal repayments on school debentures, and to provide construction grants for public general hospitals and a variety of other physical assets which are adding steadily to the public capital stock of this province.

The cumulative total of these grants and payments over the last 15 years amounts to \$400 million, making a total investment of \$1.9 billion in the physical stock financed by the province in this period.

This massive programme has been designed to provide the foundation for our developing economy and for the even greater expansion that lies in the future. In the last decade and a half, we have created more public physical assets than had previously been brought into existence in this province in its entire history. This is no exaggeration. It is a statement of fact.

In money terms, our expenditure on new construction, for the last decade and a half, has dwarfed all that which has gone before, but I am not making comparisons in terms of money but of real facilities and real values. Traverse the progress that has been made in our highways system, the more than doubling of our school and university facilities, the astounding expansion and modernization of our hospitals, water works and sewage systems, and the 4- to 5-fold increase in our electric power generating capacity, the cost of which is not included in the figures to which I have referred, but which has been financed on the province's credit.

These illustrations provide a striking picture of the programme of expansion that has been carried out in this province in so short a period of time.

While, over the last decade and a half, we have been creating physical assets estimated at \$1.9 billion, our net capital debt has increased by only \$528 million. That means we have financed, out of ordinary revenue, over \$1.4 billion—or three-quarters—of our capital facilities, funding only one-quarter. That is no mean accomplishment.

The burden of our net debt is substantially less than it was 10 to 20 years ago. In constant dollars per capita, it is less than half what it was in 1939-1940. In the late 1930's, Ontario's net capital debt was 29 per cent. of the total personal income of the people of Ontario; today it is only 9.5 per cent. In 1939-1940 it would have required 6 years' revenue to retire the then existing debt; now it would take only 1.5 years' revenue.

On the other hand, we recognize our debt has been rising, and I assure hon. members that steps will be taken to keep any increase to manageable dimensions.

I shall return to this subject later in my address. At this point, however, I should add that the net capital debt, as at March 31, 1960, is estimated at \$1 billion—an increase of \$113.5 million during the past year.

FORECAST OF REVENUE AND EXPENDITURE FOR 1960-1961

In coming now to the forecast of our revenue and expenditure for 1960-1961, I should again make reference to the economic climate in which the budget for next year has been formulated. This economic climate is one of high levels of income and employment and, of course, interest rates which increase the cost of any money we borrow. The relative shortage of investment capital, and the cost of borrowing, have had a serious impact on our position and given rise to misgivings.

Since our rate of population growth and industrial expansion has been nearly double that of the United States, comparisons of capital investment to gross national product in our respective countries may be misleading.

Relatively speaking, we are a young province with but 6 million people in a huge land over 1,000 miles from east to west and 1,000 miles from north to south. It is not surprising that, over the past 15 years, the unprecedented capital requirements of the Ontario economy, including those of the province and municipalities, have imposed strains upon the supply of savings of our people.

As I pointed out earlier in my remarks, the Ontario government since World War II has invested, in the physical assets of this province, a total of \$1.9 billion. Ontario Hydro, in the same period, has spent a total of \$2 billion on its capital expansion, making a total investment by the province and Ontario Hydro of nearly \$4 billion in the last 15 years.

Of this amount, only \$450 million or 11 per cent. has been financed by borrowing in the United States. Eighty-nine per cent. has come from the incomes and savings of our own people. Our policy of keeping our credit bright and clean serves us well in these years of "tight money."

Circumstances compel us to proceed with essential works which will help stimulate industrial expansion and meet human needs. Nevertheless, we have made strenuous efforts to contain our expenditures for next year without, at the same time, jeopardizing any essential programme or our assistance to municipalities and their school boards. In fact, our assistance to municipalities and their agencies for the next fiscal year has been increased by \$27.8 million.

We estimate that the combined net ordinary and capital expenditures of the province in the fiscal year 1960-1961 will be \$896.5 million, an increase of \$49.7 million before taking into account the \$15 million transferred to highway construction account in 1959-1960, and \$34.7 million after taking it into account. This is the smallest rise in the last 6 years.

Net ordinary expenditure, including \$17 million for sinking fund, will total \$671.2 million, an increase of \$53.1 million over the estimated net ordinary expenditure in the current fiscal year, after omitting the transfer to highway construction account, and \$38.1 million before omitting it.

Capital disbursements projected for next year total \$225.3 million. This is a reduction of \$22.9 million from this year's appropriations, and \$3.4 million below the amount that has

been estimated will be spent in this current fiscal year. We are therefore carrying on approximately the same capital programme as in our current fiscal year.

The inexorable forces of growth are clearly exhibited in the increase in our ordinary expenditure in next year's budget. Half the increase—\$26.1 million—will go for education. The Department of Municipal Affairs requires an additional \$9.1 million to provide \$2.7 million more for unconditional grants to municipalities, \$2 million more for grants to mining municipalities, and increased amounts for other functions—including the administration of the community planning branch of The Department of Planning and Development and the Ontario water resources commission, which have been transferred to it.

The Department of Public Welfare requires an additional \$3.8 million in consequence of greater numbers of welfare recipients and the higher benefits being paid. The Department of Health is allotted an additional appropriation of \$11 million to operate the Ontario Hospitals and to carry out its other functions. The main items in our combined net ordinary and net capital budget for 1960-1961 may be summarized as follows:

Education \$230.2 million (up \$26.1 million); Health \$88.1 million (up \$11 million over last year's appropriation); Highways and Roads \$251.5 million (down \$1.7 million); Lands and Forests \$24.4 million (down \$1.5 million); Municipal Affairs \$42.4 million (up \$9.3 million); Public Welfare \$49.2 million (up \$3.8 million); Public Works \$55.6 million (down \$1.1 million); Attorney-General \$21.3 million (down \$1.8 million).

On the net ordinary revenue side, we are anticipating a rise in 1960-1961 of \$38 million to a record total of \$737.7 million. We are projecting an increase in corporations taxes from \$175 million to \$190 million. The gasoline tax is expected to rise an additional \$7 million to \$159 million. Our tax rental agreement will produce \$115 million as against \$109.6 million in the current fiscal year. The liquor control board profits and fees are estimated to total \$79.6 million in 1960-1961, a rise of \$2.9 million over this year. Motor vehicle and various other revenues will also be higher.

After providing \$17 million for sinking fund, and applying \$66 million of current revenue to capital disbursements, I forecast a surplus of \$546,000 for 1960-1961. This will be our eighteenth consecutive surplus.

NO NEW TAXATION

There will be no new taxation or increases in tax rates in this budget. There will be certain minor amendments to The Succession Duty Act designed to bring it into conformity with modern conditions. There will also be minor amendments to The Corporations Tax Act, but none of these will be significant or involve any increase in taxation. Very strong representations will be made at the forthcoming conference of the federal and provincial governments in Ottawa this summer for a more realistic division of the main fields of direct taxation. It is to these sources that we must first look for the revenue that we require to finance our expanding services and obligations.

EDUCATION

With the ever-increasing complexities of our modern society, the challenge of future economic progress and spiritual well-being rests now, as never before, on the manner in which our children are prepared for their role in life. In partnership with the local school boards and related authorities, we have recognized this responsibility, and the heavy financial demands which our educational system makes. It continues to be our aim to insure that Ontario provides the best education possible for our young people, and that adequate facilities and teaching are available to all, irrespective of financial circumstance or location.

To attain these objectives, expenditures of The Department of Education—which in 1959-1960 are estimated at \$204.1 million—will be increased by \$26.1 million to a record level of \$230.2 million in 1960-1961. Next year's appropriation for education will be more than twice as great as our outlays for this purpose just 3 years ago. Indeed, it will be greater than our combined expenditures were for all ordinary and capital purposes just a dozen years ago.

Reflecting the very high level of births since 1945, Ontario's school enrolment has been rising in recent years at a rate of about 70,000 a year. In the past decade, school accommodation for more than 600,000 additional pupils has been added. In 1959 alone, an additional 92,000 pupil places were provided at a cost of almost \$82 million.

The province has undertaken a vigorous programme to recruit and train qualified teachers in sufficient numbers to meet requirements. And I hope some of the hon. members facing us will listen to these figures and bring theirs up to date. In September, 1959, a total of 5,951 students were enrolled in various courses at teachers' colleges. This represents a record increase of 1,263 over the number enrolled in the previous year.

To help accommodate them, a new building was constructed at the London teachers' college, while in September, 1959, the Lakeshore teachers' college in New Toronto was opened. Next year, an addition to the Hamilton teachers' college is planned, while construction will soon commence on a new teachers' college at the Lakehead, which it is anticipated will be ready for occupancy in 1961.

Meanwhile, courses will begin in temporary quarters next September. Summer courses will also be operated at Queen's University and the University of Western Ontario to train secondary school teachers.

Expanded training facilities, together with improved salaries and working conditions, have done much to enhance the professional status of our teachers. The province's contribution to the teachers' superannuation fund, including the \$1 million to be voted as a supplementary estimate, amounts this year to \$13.5 million and next year it will be higher. Fifteen years ago it was only \$1.3 million and has risen in 15 years from \$1.3 million to \$13.5 million, and during that time this province has contributed a total of \$76.7 million.

As hon. members are aware, a new and improved programme of school grants was announced in 1957, to be effected over a period of 3 years.

The first stage, introduced in 1957-1958, brought about a number of reforms, including an increase in per pupil grants.

The second stage, initiated in 1958-1959, saw the commencement of equalized assessment and the adoption of a growth-need factor designed to give additional assistance to school boards experiencing extraordinary capital and transportation costs arising from rapid expansion.

The third stage, inaugurated in 1959-1960, introduced 5 important improvements which broadened the base upon which grant payments are computed. These comprised the inclusion of the costs of industrial art shops, home economics classrooms, cafeterias, gymnasiums and all-purpose rooms or basements in the base for computing grants.

The province also raised the approved cost for classrooms in secondary schools from \$20,000 per classroom to \$25,000.

Furthermore, under a formula worked out during the past year, the province has undertaken to pay, effective January 1, 1959, fifty per cent. of the lower of either the equalized assessment or the actual purchase cost of school sites. Several additional refinements and betterments are being introduced this year, one being a revision in the growth-need factor to permit finer graduations.

In consequence of these revisions and the increase in enrolment, our legislative school grants will this year amount to \$147 million and next year, 1960-1961, they will be increased by a further \$19.5 million to a total of \$166.5 million. That represents an increase of \$87.4 million, or 111 per cent. increase, in just 4 years.

Besides school grants, the province has provided substantial assistance to a growing family of universities and colleges. Fifteen years ago there were 4 assisted institutions of higher learning; now there are 11 with another, Laurentian University of Sudbury, in the making. In that period our university enrolment has more than doubled, rising from 13,000 to 28,000 and it is expected to double again within the next decade. In the face of this expansion, we have multiplied our grants time and again.

This year, at \$24.5 million, they are more than 9 times what they were just a decade and a half ago, and next year we are proposing a further increase of \$4.2 million to \$28.7 million. Maintenance grants will be increased from \$12.7 million to \$15.5 million, or by \$2.8 million, while grants for capital purposes will be increased by \$1.4 million from \$11.8 million to \$13.2 million.

The following table provides a summary of our maintenance and capital grants to the various universities and colleges. In the grant to the University of Toronto is an

appropriation of \$250,000 for York University. This is in addition to the \$25,000 which has already been paid to meet organizational expenses. I will give the cumulative grants to these institutions:

PROVINCIAL GRANTS TO UNIVERSITIES
FISCAL YEAR 1960-1961

	Maintenance Grants	Grants for Capital Purposes	Total
	\$'000	\$'000	\$'000
University of Toronto.....	9,007	5,000	14,007
Ontario College of Education.....	885	885
Queen's University.....	1,300	1,250	2,550
University of Western Ontario.....	1,175	1,000	2,175
McMaster University.....	900	1,250	2,150
University of Ottawa—for instruction in Medicine and Sciences.....	550	800	1,350
Carleton University.....	485	800	1,285
Assumption University—for Essex College.....	400	1,500	1,900
University of Waterloo.....	375	1,500	1,875
Lakehead College of Arts, Science & Technology.....	135	125	260
Ontario College of Art.....	185	185
Special Grants for Archaeological Research.....	10	10
McMaster University—for the Royal Botanical Gardens....	75	75
	<u>15,482</u>	<u>13,225</u>	<u>28,707</u>

To encourage able students of limited financial means to continue their education at the university level, the province has established a many-sided programme of student aid. Since the introduction of the bursary system in 1943, funds have been made available to 25,000 students at a cost of \$5.8 million. This year marked a major advance in its development. The appropriation for this purpose was more than doubled to \$1.2 million, enabling awards to be made to almost 4,000 students, compared with 2,346 students in the previous year.

In addition, a system of Ontario scholarships to grade 13 students attaining a high academic standard was inaugurated. For next year, 1960-1961, we have again placed \$1.2 million in the estimates for Ontario scholarships and bursaries, and \$3 million for student loans. In accordance with the recommendations of the committee of university heads, awards will also be made from the Queen Elizabeth II scholarship fund.

We have not overlooked the educational requirements of our physically handicapped citizens. Just as increasing enrolments have brought problems of accommodation to the local school boards, so have higher enrolments in the provincially owned and operated school for the deaf and school for the blind made additional buildings necessary. Five new buildings have been completed on the campus of the Ontario school for the deaf at Belleville. These comprise a primary school, a primary residence, a laundry, a staff residence, and a central heating plant.

The educational needs of retarded children are continuing to be met through additions to the special schools sponsored by parents, service clubs and the province. This year we have made grants totalling \$680,000; for next year we have increased our appropriation for this purpose to \$900,000.

Many new Canadians benefit from the language and citizenship courses held throughout the province. More than 900 classes of this nature, operating under the guidance of the community programmes branch of The Department of Education, and with the full co-operation of local school boards, were attended by some 21,000 persons last year. Next year the number of classes and enrolment will at least equal and perhaps surpass those of 1959.

As a result of these varied functions, The Department of Education's bill next year will total \$230.2 million, an increase over the present year of \$26.1 million. Thus, our expenditure will have more than doubled in 4 years. It means that the province itself is spending on education, exclusive of our outlays for the Ontario agricultural and veterinary colleges, \$40 for every man, woman and child in the province. Never before has the province provided so much for education.

HEALTH

The provision of a high level of health services for the people of Ontario has always been a major objective of government policy. Last year marked a milestone in the history of Ontario's health services with the introduction of the Ontario hospital insurance plan, which has now been operating smoothly and efficiently for a little more than a year. So striking has been the success of this undertaking that 94 per cent. of our population are now enrolled.

The hospital services commission is carrying out extensive studies of hospital usage in the province. These studies are making possible the most efficient planning for the construction of new facilities and the installation of equipment. While the actual construction of hospital facilities remains—with provincial assistance—a community responsibility, the commission will attempt to see that, as community resources are expanded, they fit into the pattern of a balanced and integrated hospital system. It is the aim of this government to fashion an efficient and effective health instrument for the people of Ontario through a modern hospital system—a system that is already one of the best on the continent.

In the past dozen years, more than 21,000 additional beds have been made available in our public, TB and mental hospitals. This is a net increase, and does not take into account the large number of beds which were retired from service because of obsolescence and other reasons. In 1959 alone, almost 2,000 new beds were added to the provincial hospital system. In addition, over 5,000 are in various stages of planning and construction.

As has been provided under the supplementary estimates to be approved at this session, the province will make a payment of \$75 per bed to all public general hospitals in the province for retiring debt or for some capital acquisition or improvement. In addition to this, a number of hospitals which have pressing debt problems will receive a special grant-in-aid.

The Beck memorial sanatorium property in London has been purchased by the government as a centre for examining retarded and emotionally disturbed children, and recommending the correct care and treatment for them. Facilities will be provided for both out-patient and in-patient services. At Cedar Springs, the building schedule of the hospital school has been accelerated and it is expected that 600 beds—half of the total planned accommodation—will be available by the autumn of 1960.

In order that the full benefit of our medical services may be made available to curable cases of mental illness, persons who are merely aged or in need of custodial care only, are gradually being removed from active treatment hospitals to cottage-type quarters or infirmaries where they will be comfortable and well cared for in home-like surroundings. Sites for 3 such buildings have been selected in Goderich, Palmerston and Owen Sound. Plans for these facilities are well underway and it is expected building will commence this summer.

Since the last session of the Legislature, 500 beds have been added to alleviate crowded conditions in Ontario Hospitals. For the coming year, the approval of hon. members will be asked for a further acceleration in this building programme to include a 600-bed unit at London and a 500-bed hospital school in northern Ontario.

Ontario's campaign against mental illness involves a general reorganization of medical and treatment services including out-patient, day-care and rehabilitation programmes. New emphasis is being placed upon treatment rather than custodial care, so that the patient may return as soon as possible to his normal environment within the community. Therapeutic treatment has proved so successful that plans are being prepared for an extension of rehabilitation services in the coming year. A site has now been selected for the new psychiatric hospital and psychiatric institute in Toronto.

As a result of investigations carried on in Ontario, we have recently introduced a policy of tuberculin testing to supplement our mass X-ray surveys. Experience in special chest clinics will indicate whether or not this departure will ultimately control and perhaps eradicate tuberculosis in this province.

The province is co-operating with the federal government in providing treatment for less fortunate persons from other countries who suffer from tuberculosis. Ontario will continue to accept at least one-third of any refugee patients admitted to Canada.

Steps are being taken to assess and control radiation. While at present total radiation is far below any health hazard level, measures have been adopted to reduce exposure to a minimum. A start has been made on the construction of a radiation hazard control laboratory.

The province is pursuing a vigorous policy to increase nursing personnel. A pilot two-year course for registered nurses is being introduced. In addition, the certified nursing

assistants' course will be further expanded. If enrolment warrants it, 4 new centres will be opened this year.

It is our intention to double the number of graduates of this course from 600 to 1,200 per year. When circumstances permit, training courses will be introduced in all Ontario Hospitals, and public hospitals will also be encouraged to conduct them.

This year the government will introduce a new programme to encourage physical fitness. We recognize that the future of our province lies in the health and physical well-being of our people. No matter to what height of industrial or economic growth we may aspire, we shall never be genuinely prosperous if our people are not healthy and vigorous. Believing that such a programme must be widely based, the co-operation of our schools, athletic organizations and all other interested groups is being sought.

To finance the cost of this varied health programme, the appropriation of The Department of Health is being increased by \$11 million to \$88.1 million.

WELFARE

Constant attention is being paid to improve our present welfare services. During the past year, several advances have again been made both in the development of new services and in the refinement of existing programmes. A good illustration is the result that has been achieved in creating alternative types of care and maintenance for persons who occupy hospital beds but do not require active hospital treatment.

Much emphasis has been placed on the construction of modern homes for the aged, particularly on the development of bed-care facilities for elderly persons in need of a measure of nursing care.

During the past decade, more than 40 new homes have been constructed, while improvements to the facilities of many others have been completed. In the past 5 years, more than \$30 million has been spent on the construction of public and private homes for the aged, while new projects now underway will call for additional outlays of \$15 million.

Provincial payments to municipalities and private organizations for the building and maintenance of homes for elderly persons—which in 1959-1960 amounted to \$6.9 million—will be increased to \$8.2 million in 1960-1961. In total, the province will make \$16 million available in 1960-1961 in respect of homes for the aged, old age assistance, and other welfare measures for our senior citizens.

Child welfare is of continuing concern to the government. The new dental care plan for children under 16 of mothers receiving allowances under The Mothers' Allowances Act, which was instituted in January 1959 on an experimental basis, has proved very successful, and will be continued in the coming year. Approximately 20,000 children are eligible for dental treatment under the plan. In the field of adoption, every effort is made to find suitable homes for children placed under the care of children's aid societies in order to give them the security and affection that only a permanent home can supply.

In recent years, provincial services designed to assist the physically and mentally handicapped to become self-sustaining have been greatly expanded. It is gratifying to find that the majority of those who have completed training are now employed in useful occupations.

Under its general welfare assistance programme, the province reimburses the municipalities for 80 per cent. of their outlays on direct relief to unemployed workers in need. Reflecting the improved economic conditions in Ontario, the number of persons on relief rolls has shown an encouraging downward trend, decreasing from 55,625 in October 1958 to 52,731 in October 1959.

Under an agreement concluded with the federal government in 1952, welfare assistance to immigrants was limited to those who became indigent through accident or illness during their first year in Canada. A new agreement entered into in the current fiscal year greatly enlarges the scope of welfare assistance that can be provided for new arrivals. They are now eligible for welfare assistance on the same terms as other citizens.

The programme to serve the Indian population under The General Welfare Assistance Act is now being inaugurated, and should go far towards raising the standards of allowances and services to our Indian citizens.

As a result of population growth, more generous allowances and the expansion of services, our expenditures for welfare will reach the highest level in the province's history. The cost of these services in 1960-1961 will be raised by \$3.8 million to \$49.2 million.

WINTER WORKS PROGRAMME

Every attempt is being made by the government of Ontario to alleviate the distress caused by unemployment. Although the problem is not so urgent now as it was two years ago or even last year, the programme of winter work begun at that time is being continued. Following the pattern of last year, the federal government will contribute 50 per cent. and the provincial government 25 per cent. of the labour cost of work not normally undertaken between December 1 and April 30.

This programme is intended to provide jobs instead of direct relief during the winter months when unemployment reaches a peak. To the middle of February, 1960, more than 560 projects employing some 8,000 men had been approved by both governments. They will be undertaken in 157 jurisdictions, including municipalities, conservation authorities and counties. An appropriation of \$3 million is being made for this purpose.

Another programme of winter construction, covering the period November 1, 1959, to May 31, 1960, has been undertaken by The Departments of Highways and Lands and Forests and the Ontario St. Lawrence development commission in conjunction with the federal government. Under this plan, camp grounds and picnic sites will be built at an estimated cost of \$1.4 million. In addition, the roads-to-resources programme—a joint undertaking by the province and the federal government—generates winter employment since, whenever possible, work is carried out during the winter months.

HOUSING

The rate of housing construction in Ontario has slackened somewhat, but the totals of 54,158 housing units started and 54,281 units completed in 1959 were surpassed only in the record year, 1958. Moreover, the initial construction of an exceptionally large number of houses in November resulted in a large carry-over into 1960, which should help to maintain a better-than-average level of activity this year.

During 1959, the provincial government again participated with the federal and municipal governments in providing serviced lots to prospective builders and in erecting low-rental housing projects. By the end of 1959, the federal-provincial-municipal partnership had completed, or had received approval to proceed with, 59 rental housing schemes in 36 municipalities, and 51 land assembly projects. In addition, the partnership holds over 7,000 acres of land which will be used in the development of future projects.

The purchase of the 614-acre Borden farm in Nepean township in 1959 will aid future expansion in the Ottawa area. Last year also saw the start of construction in both the Kingston and London rental housing projects. Demolition is underway in the Windsor redevelopment area, and construction of 298 rental housing units will begin shortly. The new Hamilton and Sarnia housing projects have special units specifically set aside for elderly persons. Some \$6.5 million is being placed in the 1960-1961 estimates to cover provincial participation in land assembly and rental housing projects.

HIGHWAYS AND ROADS

Our growing population and industry, combined with rising living standards, have provided the ingredients for an unprecedented rate of increase in both the number of passenger cars and commercial vehicles. The total number of motor vehicles in 1959 reached an estimated 1,975,900—we had thought that was going to be 2 million—an increase of 5.7 per cent. in the last year and 103.8 per cent. in the last 10 years.

Inescapably, there has been a continuing rise in the road space necessary to accommodate all these vehicles. And, since further expansion of population, living standards and industrial production is foreordained, plans must be made for the future.

During 1959-1960 the volume of highway and road construction in Ontario reached a new peak. In addition to the improvement in the King's highways and secondary highways, 334 miles of new highway were brought into operation, 425 miles of roads were reconstructed

to modern standards, and 91 structures were completed. Three new sections of highway No. 401 were opened to traffic and, in addition to the 273 miles in operation at the end of 1959, further mileage was completed to the point where it will go into service in 1960.

Substantial progress was made on the trans-Canada highway. The last remaining gap between Agawa River, north of Sault Ste. Marie, and White River is scheduled for opening in the autumn of 1960.

Continued improvement of the Queen Elizabeth Way and the extension of highway No. 400 from Crown Hill, near Barrie, to connect with the trans-Canada highway at Coldwater has provided better access to northern Ontario.

Ontario's total expenditures on highways and roads, in the current fiscal year 1959-1960, amounted to \$253.3 million, of which \$74.4 million was for maintenance (excluding \$15 million appropriated for highway construction account) and \$178.9 million was for capital. Provincial road subsidies to the municipalities and unincorporated townships in northern Ontario, which are included in the foregoing, totalled \$64.8 million, of which \$39.6 million was for new construction.

Taking into account the amounts that the municipalities themselves will spend, the total outlay for highways and roads in the province this year, 1959-1960, is \$318 million.

The 1960-1961 budget provides for the continuance of the province's long-term plan for highway improvement and modernization. Following preliminary testing in the current fiscal year, the new programme provides for the commencement of construction on the new high-level bridge over the Welland canal at Homer, near St. Catharines, on the Queen Elizabeth Way, and also for a start on the Chedoke expressway. In addition, work on highway No. 401 will be continued in order to complete this major traffic route by 1963. Work on the highway connecting Fort Frances and Atikokan will be continued, while that of widening the Toronto by-pass—highway No. 401—to 6 lanes from Yonge Street westerly will commence.

To finance the 1960-1961 highway and road programme, we are providing appropriations totalling \$251.5 million. This is approximately the same level of expenditure as was made in this current fiscal year 1959-1960. Of this amount, \$75.5 million will be for maintenance, including \$44.8 million for King's highways and secondary highways, and \$25.4 million for transfer to the municipalities for the maintenance of their roads.

A total of \$176 million will be spent for new construction or capital purposes, including \$126.2 million for King's highways and secondary highways, and \$40.8 million for the municipalities to help finance the construction of their roads. The combined maintenance and capital expenditure on provincial highways will be \$185.3 million, while that for municipalities will be \$66.2 million. Inasmuch as the municipalities will approximately match the province's subsidies to them, the combined provincial and municipal road expenditure in the province, in the coming fiscal year 1960-1961, will total \$318 million—about the same as that in the current fiscal year.

NATURAL RESOURCES

For the coming fiscal year, the conservation of our natural resources and the development of the industries based on them will require ordinary and capital expenditures totalling \$46.5 million.

Agriculture

Ontario's farmers last year again achieved a new high in farm cash income. Gross value of production was equal to that of the previous year and the second highest on record.

However, the need for expanding our markets, both at home and abroad, continues to be of paramount importance. This has been long recognized by our support of organized marketing plans, and recently by the creation of the agricultural marketing inquiry committee and the formulation of a plan to establish a research foundation at the Ontario agricultural college. This foundation will co-ordinate all research in the province dealing with production and marketing, including merchandising, transportation, packaging, storing, handling, quality control, pricing, family farming and vertical integration.

Approximately half of our farm cash income is channelled through the existing 13 organized marketing plans which have been brought into existence by co-operation between the government and producers.

Brucellosis eradication—essential to our multi-million dollar exports of cattle to the United States—has made substantial progress during the past year. If the present rate of testing is maintained, over 30 counties should have reached the status of a brucellosis-free area by the end of the fiscal year 1960-1961.

A co-ordinated programme for the agricultural development of northern Ontario is planned, involving various government departments. Lands suitable for farming will be made available as demand arises, while unsuitable lands will be gradually diverted to other uses. The government continues to aid northern farmers through assistance for farm water supply, land clearance, veterinary services, and other purposes and by means of a number of special freight subsidies.

The Hydro-Electric Power Commission of Ontario added approximately 1,000 miles of distribution line to its power facilities during the past year. Some 22,900 new customers brought the total number of users in the rural areas of the province to 495,500 (including 142,200 farm customers) an increase of 166 per cent. over that in 1950.

With the assistance of the Ontario telephone authority, further progress was made in the modernization of rural telecommunications. At the end of 1959, 43 dial exchanges were in operation in rural Ontario, of which 10 were located in northern Ontario.

To avoid duplication with the new farm credit corporation of the government of Canada, the Ontario junior farmer loan programme is being discontinued. Although a number of loans are still being processed, no applications for new loans have been accepted since January 12. Since the inception of the Ontario plan in 1952, some 3,900 loans, totalling \$29 million, have been made to young Ontario farmers.

As part of the major construction programme proceeding at the Ontario agricultural college and the Ontario veterinary college, 3 large new buildings were opened in 1959, bringing to 11 the number of projects completed in the expansion plan initiated in 1952. In the past 8 years, the government has spent \$12.6 million in new construction and equipment for these institutions. Ordinary expenditure next year, for the agricultural colleges and allied institutions, will be increased by \$500,000 to \$8.5 million.

This brief summary of our agricultural programme is by no means exhaustive. Many new developments are in prospect, including a study into the feasibility of public crop insurance. These, and other plans and activities, demonstrate the government's determination to continue strengthening the position of agriculture, which plays such a vital part in Ontario's expanding economy. The appropriation for agriculture in 1960-1961 will be \$16.2 million—an increase of \$800,000.

Mining

The spectacular expansion of Ontario's mineral industry since the end of World War II was continued in 1959. Owing largely to an increase in uranium output, the new record value of production of \$962.8 million exceeded the previous year's by \$173.2 million—the largest increase ever recorded.

New exploration and developments are encouraged and facilitated through the government's geological programme. While a number of field parties are engaged in various surveys, geologists stationed in the main mining areas of the province distribute information regarding prospecting activities, geological conditions, and surface and underground explorations.

In addition, a large airborne geophysical survey, covering an area of 64,000 square miles in mineral-rich northwestern Ontario, is being carried out. Aerial photography, supplemented by field work, has contributed much to the expansion of this industry, and even greater results lie ahead.

Another important programme is the building of access roads into areas where the presence of significant mineral deposits has been established. Well over 200 miles of such roads are now under construction.

During 1959, a special committee was instructed to make a complete review of the laws of Ontario and other jurisdictions governing the use of public lands for mining and other purposes. Hearings have been held throughout the province and briefs presented.

The total amount to be spent on various mining surveys and projects next year is \$3.2 million, including \$1.5 million for mining and community access roads. In addition, special payments to mining municipalities will total \$5.3 million as compared with \$3.2 million this year.

Forestry

The output of Ontario's woods operations in 1959 is estimated to be 12 per cent. over that of the previous year. Of our forest-based industries, sawmills recorded a gain of 9 per cent. in their output of sawn lumber in 1959, while the pulp and paper industry reached a new record value of production estimated at \$462 million, \$12 million higher than in 1958. The volume of 1.5 million tons turned out by the province's newsprint mill represented an all-time high.

The re-survey of our forest resources in association with new inventory and regeneration techniques has been instrumental in promoting growth and improved forest management. Under the provisions of the second 10-year plan, 9 million acres were surveyed in 1959. Regeneration has also been facilitated by the enormous expansion in our nursery operations. Seedling production for 1959-1960 was approximately 53 million trees, and for the coming year an even higher output is envisaged.

Unceasing vigilance in our forest protection organization makes for minimum waste from fire, insect infestation and disease. Loss from forest fires was at an all-time low in 1959. Aerial water-dropping has become standard procedure in extinguishing fires. Research for further improvements and refinements is continuing. Insect surveys and tree disease studies contribute to the maintenance of healthy forest stands.

The intergovernmental roads-to-resources programme will be an important stimulant to the development of forest and mineral resources in northern Ontario. The federal-provincial agreement, which was signed in December, 1959 calls for an expenditure, by March 31, 1967 of \$15 million. The federal government will pay 50 per cent. except in some cases where private companies will also share in the costs. The projects which have so far been agreed upon cover a total of about 335 miles, of which the major part is now under construction.

The appropriation for The Department of Lands and Forests next year is \$24.4 million, including \$8.2 million for forest protection, \$7.1 million for timber management and reforestation, \$4.4 million for fish and wildlife, and \$3.3 million for parks development.

Conservation

During the past year, 1959-1960, three new conservation authorities were established in Ontario, bringing the present total to 27. In addition, the municipalities of the Nottawasaga valley have voted to set up an authority which will come into operation as soon as its boundaries are determined.

The construction of several major flood control projects is awaiting a favourable decision from the federal government to match the Ontario government's 37.5 per cent. contribution to financing. The largest proposal of all, estimated to cost over \$34 million, is that of the Metropolitan Toronto and region authority, which has just been approved by the Ontario government.

Work on smaller flood control and water conservation schemes, which has increased markedly since the province 5 years ago raised its participation in such projects from 37.5 per cent. to 50 per cent., continued in 1959. Projects completed last year embraced channel improvements on the Speed river and the Etobicoke creek, flood control measures on the Humber—including the construction of the Albion Hills dam—and erosion control schemes and dam improvements on other rivers. The total investment represented by all construction projects completed, underway or planned, now aggregates \$135.5 million.

Over 4,000 acres of land were purchased for authority forests, and over one million trees were planted, with authority assistance, by private landowners last year as part of the reforestation programme. Provincial subsidies and engineering assistance aided in the construction of more than 300 farm ponds.

The development of conservation areas has become an increasingly important aspect of the work of the authorities. These areas may be used for the demonstration of special conservation measures and, where suitable, may be developed as parklands and provided with recreational facilities. In 1959, there was a sharp increase in both the acreage acquired for conservation areas, including parkland, and the number of special conservation projects undertaken on new and established areas.

In the 1960-1961 appropriations of the various departments concerned, the sum of \$34 million has been set aside for works and services in connection with conservation projects.

PROVINCIAL PARKS

The growing preference of Ontario's people for outdoor activities underlines the importance of adequate park and recreational facilities. To provide for these needs, the Ontario government initiated the "parks for the people" policy which has already brought about a striking increase and improvement in provincial park areas and facilities.

This year, areas will be designated to be used for the purposes outlined in the wilderness areas legislation passed at the last session of the Legislature. Certain areas of Crown lands—all under 640 acres—will be reserved, under this Act, for their historic, scientific and aesthetic value. At present, about 70 such areas are being examined for this purpose.

After making allowance for the release last year of a number of small parks to The Department of Highways for development as roadside parks, the total number of parks administered by The Department of Lands and Forests stood at 64 at the end of 1959. This year, 10 new parks will be opened, while another 8 properties are being investigated for future development. The 3,350-acre Lake Nipigon park near Geraldton, the 2,300-acre Killbear park at Parry Sound and the 300-acre Darlington park in Durham county, are the 3 largest parks scheduled to be opened in 1960.

In addition, Five Mile Lake park near Chapleau, Turkey Point park and several others will be opened.

Earl Rowe park, which was officially opened a few months ago, will be available for public use this year, while facilities will be improved at the Lake Superior park areas as well as at Wasaga Beach provincial park.

About 8 million visitors, and 500,000 campers, enjoyed the province's park facilities last year. Wilderness camping continues to increase in popularity—a trend particularly evident at Algonquin and Quetico provincial parks. During the past 3 years alone, the number of motor vehicles entering provincial parks has more than doubled. Slight increases in entrance and camping fees have been proposed, in the expectation that this upward revision, together with revenue from concessions, will bring the parks reasonably close to meeting their maintenance expenses.

The Ontario-St. Lawrence development commission's programme of parks and historic sites, along 170 miles of the St. Lawrence River and the Bay of Quinte, made notable progress in 1959. Every attempt is being made to make the full system of 15 parks available for public use in 1961. Last year, 6 new parks were opened, bringing the total now in operation to 9. The Niagara Parks commission is continuing its programme of improved park accommodation. During the coming year, Oak Hall park will be open for public use and additional facilities will be provided at Hogg Island park. Conservation authorities have developed 76 conservation areas embracing over 23,930 acres; 45 of these areas include designated park grounds covering a total of 3,314 acres.

The appropriation for our parks programme in 1960-1961 will amount to \$5.1 million.

PROVINCIAL ASSISTANCE FOR WATER AND SEWAGE WORKS

The problems of providing an ample supply of water for Ontario's growing industrial and domestic markets, and the abatement of pollution, continue to be vigorously tackled by the Ontario water resources commission. During 1959, 19 new joint Ontario water resources commission-municipal projects were completed and opened. These comprised 12 water works systems and 7 sewage works.

The estimated cost of these new plants, \$5.3 million, raised the total value of all such projects undertaken by the commission, in the short space of only two years, to almost \$12 million.

Moreover, since the end of 1959—that is, in the last two months—7 new sewage projects and 3 water works systems, estimated at \$8.7 million, have been placed in operation, bringing the total estimated value of plants, now being operated by the Ontario water resources commission, to almost \$21 million.

This includes no less than 28 water works systems and 19 sewage works located within 41 municipalities. Still being constructed under Ontario water resources commission-municipal agreements are projects valued at more than \$20 million and numerous others are approaching the agreement stage.

The practical results of the commission's activities are becoming increasingly evident and gratifying. The opening of major sewage treatment plants at Port Arthur, Brantford,

Kitchener, Brampton, Trenton and Huntsville has already done much to clean up the receiving streams concerned. For instance, Brantford and Kitchener are on the oft-maligned Grand River, where through joint Ontario water resources commission-municipal efforts, excellent progress is being made in abating pollution.

Similarly, the opening of water and sewage projects throughout other sections of the province has provided relief and improved sanitation on a smaller, but nonetheless significant, scale to the residents of the municipalities concerned.

The usefulness of water resources and stream pollution surveys, which the commission continues to conduct on an area basis, has already been proven. Recent releases included reports on water supply and pollution conditions in Essex and Elgin, district surveys on the Lakehead water resources and water pollution in the Kingston area. A water resources survey of Welland county has also been completed, and other studies of similar areas are in progress.

To support the many activities of the commission, the province provided \$1.2 million for operating expenses, and \$14.5 million for capital purposes in 1959-1960. The appropriations for 1960-1961 will be \$1.6 million for operation and \$30 for capital construction.

In accordance with the government's desire to bring about co-ordination of municipal policies, the Ontario water resources commission, now under The Department of Public Works, will be placed under The Department of Municipal Affairs.

THE PROVINCIAL-MUNICIPAL PARTNERSHIP

I wish now to say a few words about our provincial-municipal partnership. I think it can be said without contradiction that we have been fully cognizant of the financial impact of growth upon our municipalities, and that—in spite of our own burdens, which have multiplied many times—we have brought into operation in the last decade and a half, a provincial-municipal partnership that has been little short of a revelation.

Commencing in 1945, and in every year throughout the postwar period, the province has steadily expanded its aid to municipalities and associated agencies to assist them in carrying out their important responsibilities. Prior to 1945, the province's contribution to municipalities, school boards and other local agencies amounted to about \$21 million a year. In the current fiscal year, we are supporting local services to the extent of \$314.9 million, and in the coming fiscal year we will provide a further increase of \$27.8 million, raising the level of our assistance to \$342.7 million.

This is a 16-fold increase in the last 17 years—one that is made even more notable by the fact that the province's own direct expenditures on services have increased in that period by only 6 times. In other words, we have stepped up our assistance to local services at more than double the rate of increase in the province's disbursements on functions which come under its own direction.

That we have not been unmindful of the needs of our municipalities may be illustrated in another way. In 1943-1944, 19 per cent. of the province's total expenditures were in support of local services. Today, over 38 per cent. of our budget is being allocated for this purpose.

In terms of provincial revenue, the magnitude of our contribution is even more impressive. In 1943-1944, our municipal aid programme absorbed less than 18 per cent. of our revenue; now the proportion is 45 per cent.

Not only has our assistance enable services to be expanded, but it has also strengthened local institutions, and made it possible for them to undertake major developments without having to impose an unreasonable burden of taxation on their residents.

The benefit to ratepayers of the province's contribution to local authorities is made evident in a number of ways. For every \$100 that the municipalities raise in taxation, the province is now contributing towards the support of local services \$60 as against only \$19 in 1943.

Consider this, too: while our assistance for local services has increased 16-fold since 1943, the level of municipal taxation has advanced only 5-fold.

In other words, the ratepayers today are paying a much lower proportion of the cost of local services than they were 17 years ago. At that time, 73 per cent. of combined municipal and school board expenditures for general purposes and debt charges were met out of municipal taxation. Owing to provincial assistance, the proportion of such local services, financed by local taxation, has been reduced to 58 per cent.

These illustrations demonstrate that, despite the rise in local tax levies and debt, the province has assumed a much larger share of the municipal burden than at any previous time.

The increased assistance provided by the province has been especially large in those fields where the demands have been greatest, namely, education and roads. Yet we have made important revisions in various other ways.

In 1950, the Ontario municipal improvement corporation was established to make capital funds available to municipalities. In 1952, legislation was enacted to provide payment to municipalities in lieu of taxes on certain government and public utility properties. In 1954, we pioneered a plan of unconditional grants to all municipalities. In 1956, the Ontario water resources commission was set up to provide water and sewage works. Last year, we introduced a new programme to relieve the municipalities of the burden of hospital deficits and the cost of hospitalized indigents.

Over the years, a completely new system of grants to mining municipalities has also been developed.

All these new methods of assisting the municipalities have been brought into operation without any sacrifice of the established system of conditional grants for education, health, welfare and roads. On the contrary, grants for these purposes have been increased to levels that were undreamed of only a few years ago.

To illustrate: in the field of elementary and secondary education, we have stepped up our legislative grants, and other forms of assistance to school boards, by 20-fold in just over a decade and a half, from \$8.4 million in 1943-1944 to \$170.4 million in the coming fiscal year.

Our appropriation for next year alone will be \$20 million more than we authorized at last year's session. We have accelerated our subsidies to municipalities for the construction and maintenance of roads. Next year our grants will total \$66.2 million, some \$2.8 million over this year's appropriation and nearly double that provided just 5 years ago.

In addition to increasing its grants, the province has assisted the municipalities by assuming the responsibility for many miles of roads which were formerly under municipal jurisdiction, and by constructing and maintaining major access roads and by-passes of direct benefit to urban municipalities.

Next year, our unconditional grants to municipalities will total \$26.7 million, an increase of \$2.7 million over the estimated payment of \$24 million in 1959-1960. These grants include the unconditional payments introduced last year to compensate municipalities for their greatly reduced responsibilities for hospitalized indigents. In effect, as the result of the introduction of the hospital insurance plan and the new arrangement respecting hospital indigents, the municipalities have been relieved of expenditures formerly amounting to nearly \$12 million per annum.

We are again making an important revision in our special payments to mining municipalities, which will raise our grants in the coming fiscal year to nearly \$5.3 million, an increase of \$2 million over that provided in the current fiscal year.

Despite this unprecedented programme of provincial assistance, municipal taxes and debts have been rising. Contributing to this upward trend has been an increase in municipal spending for ordinary and capital purposes far in excess of anything that has occurred in the past. In the last year or two, the annual increase in the budgets of all Ontario municipalities and school boards, exclusive of capital outlays, has totalled \$100 million, well above the growth of revenue from increased real property assessment and provincial assistance. The outcome has been higher local taxes.

It is recognized that the municipalities, as the province, are confronted with heavy demands for education and other services. But the very pressing nature of these requirements suggests caution. We believe that the municipalities should undertake a conscientious examination of all phases of their expenditures, with a view to relating them to the growth in their real property assessment and the provincial assistance programme.

FEDERAL-PROVINCIAL RELATIONS

Our tax-sharing arrangement with the federal government is another matter which continues to occupy a central position in our fiscal and economic planning. Hon. members will recall that, last year, a series of studies was initiated on the subject of federal-provincial relations.

The committee of Treasurers and Ministers of Finance, which was established to direct this series of studies to be carried out by the federal-provincial committee on fiscal and economic matters, held two meetings, one in July and the other in October, 1959. The technical committee on fiscal and economic matters was asked to examine and prepare reports on such subjects as the Canadian tax structure, the division of public expenditure responsibilities, tax-sharing arrangements, fiscal-need formulae, conditional grants and shared-cost programmes, natural resource taxation, regional and national development needs, capital investment requirements and seasonal employment problems.

A number of reports were submitted to the Ministers' conference in October, and others involving long-term studies will be presented at a later date.

There are several of these matters to which I should like to refer. The first relates to federal-provincial conditional grants and shared-cost programmes. These arrangements, under which federal funds are made available on stipulated conditions, are needlessly complex, and create many administrative difficulties for the provinces which are time-consuming and costly. Often there are undue delays in reimbursement, with the result that the provinces are obliged to finance the federal share.

At the October meeting of the committee of Ministers, the report that had been prepared on this subject by Ontario received close attention, and efforts are now being made to work out more simplified arrangements and a formula for interim advances, which will relieve the provinces of financing the federal government's share.

Another matter, on which Ontario made strong representations, was that of the taxation of companies engaged in logging operations. Constitutionally, the forests are the responsibility of the provinces. The provinces provide, at heavy cost to themselves, extensive services for forest conservation, protection and regeneration, yet by far the largest proportion of taxation paid by such companies goes to the federal government. This is an anomaly and an injustice which we have sought to have rectified.

In collaboration with the government of British Columbia, Ontario prepared and submitted to the conference of Treasurers and Finance Ministers, last October, a brief urging the federal government to extend to all companies engaged in logging operations, as compensation for the depletion of resources, a special allowance similar to that granted to companies engaged in metal mining or extracting oil or natural gas.

Such an allowance would give recognition to the fact that, once timber stands are cut, a new crop cannot be harvested for a period of 70 years and, therefore, in effect, forest operations do involve depletion in a very real and practical sense to a government that requires funds to provide for the conservation and regeneration of these resources.

We will continue to work towards a more equitable and satisfactory system of taxation for our forest-based industries.

We also brought to the attention of the conference of Treasurers and Finance Ministers the inconsistencies and anomalies that exist in the application of federal and provincial sales taxes to operations carried on by Crown agencies. The present situation, under which the federal government claims immunity from provincial taxation for its Crown agencies, while Crown agencies of the provinces are subject to federal taxation, is illogical and unfair. The provinces are as supreme within their jurisdiction as is the federal government within its own.

Our position is simply this—if Crown agencies in the right of Canada are to be immune from provincial taxation, then Crown agencies in the right of the provinces should also be extended immunity from federal taxation. On the other hand, if provincial agencies are to be subject to federal taxation, it follows that Crown agencies in the right of Canada should be subject to provincial taxation. There can be no other solution.

Concerning the position of the Ontario government on tax-sharing arrangements, I can assure the hon. members of the House that there has been no change. We do not believe that the present distribution of the two major direct fields of taxation is just and equitable to this province, and we have never failed to stress the need for a revision of the existing arrangements.

No increase in these arrangements was obtained at the conference in October, but the federal government undertook to guarantee that the increase from 10 per cent. to 13 per cent. in the provincial share of the individual income tax obtained in 1958, would be paid in the remaining two years of the current agreements ending in 1962, and that a plenary conference of the Prime Ministers of the provinces and the government of Canada would be held this summer to discuss new arrangements.

Our position is that we are constitutionally entitled to an equal share of the major fields of direct taxation. Under the present fiscal arrangements, the tax abatements represent less than one-fifth of the combined federal-provincial corporation income tax, and less than one-seventh of the individual income tax.

We are not asking for half the revenue from these fields as is our right. However, we do maintain that the present allocation does not adequately reflect the special problems that exist in our rapidly expanding economy. The growth forces that impose such heavy demands upon the province also bear upon our municipalities. Their financial well-being is involved.

Hon. members may therefore be assured that at the forthcoming conference we will assert our claim to a just recognition of our rights and our needs.

In conclusion, Mr. Speaker, I would like to say that, in this budget presentation, I have endeavoured to give an account of our stewardship of the province's affairs, and to outline our proposed programme for the coming fiscal year. We have endeavoured to solve problems of growth and development in a sensible, constructive and progressive way.

In the short space of a decade and a half, we have overcome difficulties such as the doubling of our school and university population and the trebling our of motor vehicle registrations—problems with which no other government has had to deal. We have moved forward vigorously and imaginatively in accordance with the wishes and needs of our people. We have not been content to stand still. We have pioneered many new betterments, such as hospital insurance and unconditional grants to municipalities. Ours has been a policy of reform and expansion predicated on economy and sound management.

Our population continues to grow rapidly. As I pointed out earlier, the number of births in Ontario is now double that at the end of World War II. When the large number of children born during the past 15 years start reaching marriageable age, we may anticipate another period of explosive population growth.

If present trends continue, at the end of 1970 there will be 1.7 million more people, and a half a million more motor vehicle registrations, in Ontario. This spells more schools, universities, hospitals, water works, sewage treatment plants, electric power, highways and roads.

No one can foresee precisely the dimensions of our public capital requirements, but we know they will be formidable. We are strengthening our government departments and various commissions to provide economy and efficiency.

As not the least of our problems will be finding the money to finance our essential undertakings, a sound fiscal system, that will contribute to the development of our province and the well-being of our people, is of paramount importance.

Mr. R. Whicher (Bruce): Mr. Speaker, I move the adjournment of the debate.

Motion agreed to.

Hon. L. M. Frost (Prime Minister): Mr. Speaker, before proceeding with the next order of business, I should like to carry out my undertaking to the House the other day and table a copy of a formal order-in-council in relation to the inquiry into the Sarnia land matter.

Mr. Speaker, after that magnificent speech, we would like to proceed with the matters relating to the betterment and strengthening of the organization of government.

ON GORDON COMMITTEE REPORT

Mr. K. Bryden (Woodbine): Mr. Speaker, yesterday, as we know, was a beautiful day with bright sunshine. I have not been outside today but I am told it is snowy and freezing, a fitting commentary on the budget we have just had presented to us.

Hon. Mr. Frost: A black day for the Opposition.

Mr. Bryden: However, that is a matter for another debate at another time.

I now rise to complete my remarks in the debate on the Gordon committee report. I started these remarks on February 1, so I believe that this was the longest speech that I have ever made.

I would like, in the time available, to consider some aspects of this matter which are only of secondary significance as far as the report itself is concerned.

The Gordon committee, because of its terms of reference, quite naturally concentrated its attention on the organization of the government and the procedures to control activities within the government.

But there is another phase of this problem, and an even more important one, and that is the matter with which I wish to deal at this time.