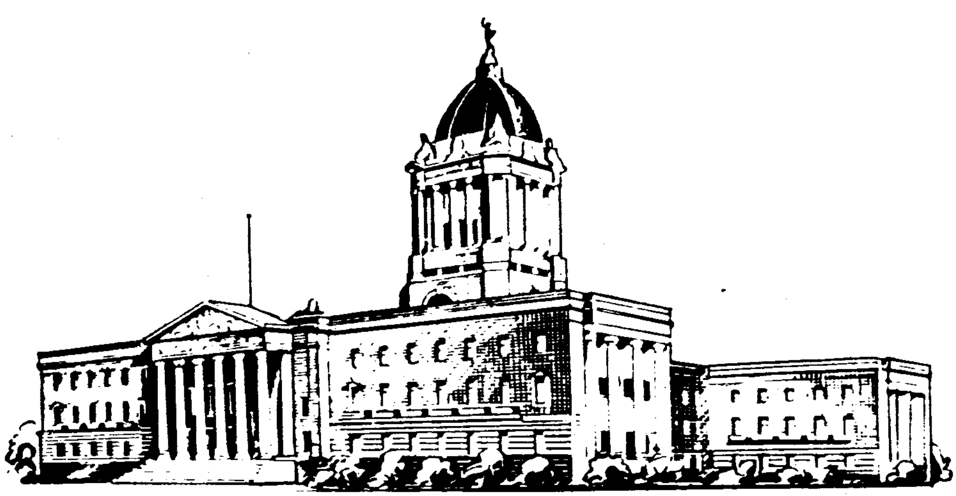
Legislative Assembly of Manitoba

DEBATES
and
PROCEEDINGS

Speaker

The Honourable Ben Hanuschak



Vol. XVII No. 59 8:00 p.m., Thursday, April 30th, 1970. Second Session, 29th Legislature.

Printed by R. S. Evans — Queen's Printer for Province of Manitoba

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THE LEGISLATIVE ASSEMBLY OF MANITOBA
8:00 o'clock, Thursday, April 30, 1970

INTRODUCTION OF GUESTS

MR. SPEAKER: Before we proceed tonight, I should like to introduce to the members of the House 11 patients from the Society of Crippled Children and Adults. They are under the care of Miss Jacobs. On behalf of the honourable members of the Legislative Assembly, I welcome you here this evening.

MR. GREEN: Mr. Speaker, I wish to proceed to the motion to consider Ways and Means. The Minister of Finance.

MR. SPEAKER: The Honourable Minister of Finance.

MR. CHERNIACK: When the House is ready, I am ready.

MR. SPEAKER: May I just interrupt the Honourable Minister of Finance. I wasn't aware whether some guests of mine would be able to make it here for 8:00 o'clock tonight but we have with us Mr. Gordon Combe, the Clerk of the House from South Australia, and Mrs. Combe, who are visiting Manitoba. On behalf of the Members of the Legislative Assembly, I welcome you here tonight.

The Honourable Minister of Finance.

BUDGET ADDRESS

MR. CHERNIACK: Mr. Speaker: Manitoba is now approaching the full realization of her Centennial Year. We are honouring our traditions and proclaiming pride in our past. But 1970 is not a year in which to look only to the past; it is a year to look to the future.

Governments in Canada have a basic obligation to ensure for each individual citizen the right to participate in and contribute to the creation of a progressive social, political and economic community. This is the continuing challenge. The Government of Manitoba is pledged to make more effective use of economic, financial and social instruments to foster a new concept of life within our borders. We seek development through the harmonious interaction of social and economic enterprise. This harmony of effort will derive, we firmly believe, only when people are made the first consideration.

The quality of life in Manitoba must be enhanced and social justice be made secure as the birthright of every individual citizen. We have full confidence that the people of Manitoba will join with the Government in responding to this challenge. It is from this confidence that I present my Budget Statement.

EVALUATION OF MANITOBA'S ECONOMIC PROGRESS

It has been customary in the past that a budgetary presentation be accompanied by a formal summary examination of the economic conditions which may be said to underlie the revenue expectations and, to some extent, the expenditure requirements of the Government for the fiscal periods covered. I shall follow the usual practice of appending such a summary to my Budget Statement. But this summary is not a complete economic review. It is obvious that the criteria used relate primarily to the private sector performance, but the inter-relationship of gross public and private activity is important and quality assessments and judgments must be made - not alone by Government, but by responsible citizens in all capacities. It has been for too long accepted by many that a Budget - or any financial document - is primarily a casting of quantities and accounts, albeit with some attempt to relate the sums to the things they represent. We have only recently, it seems, become truly concerned to dig underneath comforting "averages" of performance to the realities in the lives of people. It has been the experience of many governments that the groups of its citizens with the greatest problems tend to be the least visible, the least vocal and the least measurable members of the community - the aged are perhaps one of the most obvious examples.

It is noteworthy that the system of programme budgeting and evaluation which is now being implemented by the Government, aims at a far greater emphasis on cost/benefit analysis and at the development of more revealing information on problems of real concern to our people. This will bear upon all aspects of concern - in respect of our budgeted programmes and in relation to the economy itself. There are many examples of the need to know more about the economy and about the things being done.

It is not enough for our purposes to be aware that labour income has increased by

(MR. CHERNIACK cont'd.). . . . . approximately 90 percent over the past 8 years. We know also that consumer prices have risen about 23 percent over the same period, thus reducing the apparent increase in labour income from 90 percent to some 54 percent in real terms. The average income of a member of the labour force in Manitoba in 1969 was $4,349. The average income of a farmer in Manitoba in 1969 was $3,960 - and this must be repeated that these are only average figures. Some 30,000 to 35,000 workers in Manitoba earn only the minimum wage. Averages reveal little about under-employed and marginal workers and their problems.

We know that, while residential unit construction starts in the Province have increased 125 percent in only four years, there are still too many people unable to find adequate homes. Not only are there many families now in need of better housing, there are increasingly large numbers of young adults seeking homes in which to begin family life. The high cost of construction, of land, and of mortgages make their search ever more difficult.

We know that both the average daily admissions and average daily population in our correctional institutions are increasing - the former by about 19 percent in the past two years and the latter by about 3 percent over the same period.

We know that in 1969, Manitoba had approximately 3,900 miles of trunk highway and some 7,400 miles of roads - in total, some 140 percent more than the mileage under Provincial administration in 1958 - and these totals do not include many miles of thoroughfare which have been constructed and are maintained on a cost-sharing basis with the municipalities. On the other hand, we also know that these totals do not reveal the need for added construction and improvement of facilities, not only to ensure adequate safe transportation, particularly in remote areas of the Province and notably in the north, but also in order to promote vital natural resource development.

We know that while our total welfare case load has been relatively stable, the child welfare service component has been increasing - by 36 percent in two years - and we anticipate a greater demand on us for services in the near future, particularly as the federal government extends its phasing out of support for Indian residential schools. Apparently many of the students in these schools have virtually severed their family ties and will necessarily become wards of the Province. The trend is already evident; in 1965-66 treaty Indian children accounted for 28,000 hours or about 3 percent of care hours provided by the Province; in 1968-69 the total had risen to 48,100 hours or some 5 percent.

We know that in 1969 an estimated 88,300 Manitobans were 65 years of age or older. Our services to these people now include about 1 personal care unit for every 13 citizens in this age group. It is the aim of the Department of Health and Social Development to improve this ratio, but at the same time to ensure that the quality of service provided is augmented and not diluted.

We know that full-time university enrolment has increased by 167 percent since 1961 and that over-all university enrolment has increased by 186 percent during the same period. It is predicted that this enrolment pressure will increase. Where only about 5 percent of the population in the 18-24 age group was in full-time attendance at universities in Manitoba 20 years ago, it is expected that 18 percent will be enrolled full-time at Provincial institutions by 1975. In addition, the increasing need for greater technical and related skill capacity in the economy will continue to expand enrolment in Community Colleges and regional vocational institutions. These facilities are vital elements in giving our people new mobility and opportunity.

We know that our per capita hospital bed ratio is increasing. In 1969, Manitoba had 6.83 beds per 1,000 population; in 1970 it is estimated that this ratio should reach 6.94 per 1000. Here, too, we acknowledge that further progress is needed - not only to improve the ratio but also to upgrade the general services provided in our hospital system. And we must seek bed use more in keeping with need and economy. This is a basic reason for pressing the development of convalescent care facilities - and for our efforts to secure federal support for these more economic yet more effective accommodations.

These are only a few examples of the kinds of data which we believe must accompany a traditional review of the economy and government programmes. We must determine whether or not we are providing the services actually needed, and in the most effective way. Ultimately, we can only answer the questions of efficiency and cost if we can answer these questions of quality in the things we do.

It is a regrettable but all too common fact that many administrations have forgotten that their mandates require not only government by and of the people but also government for the people. As long as this Government may hold office, response to this fully balanced mandate

(MR. CHERNIACK cont'd.) . . . . . will be our basic task. Our performance - the performance of the Manitoba enterprise - will relate to that mandate, and should be so judged.

PROGRAMME EMPHASIS

The aim of social justice demands a public commitment for both the immediate and the longer term. We have made a very positive first response to meet the most urgent needs of our citizens, particularly those citizens within our community who are in the most dire need of help.

Surely our farmers qualify. The lack of a comprehensive federal agricultural policy, the continuing and increasingly aggravating cost-price squeeze and the uncertainty surrounding the market conditions for each year's crop - all place our grain farmers in an untenable position. Accordingly, we have provided in our Budget this year for new approaches and methods which can best give immediate help to our farmers in these difficult times. A major response is our provision of some $21 million in new agricultural credit capacity of which $6 million was made available last autumn.

We have also sought to respond immediately to the most urgent needs of other Manitobans with special problems. We moved quickly last year to make financing of Medicare more equitable. Other measures are in the first stages of a change in direction and emphasis. Indeed, we are now reshaping the basic concept and impact of public policy for many years ahead. The magnitudes of even the current commitments for health and social services and education in the province - indicated in accompanying tables - show a continuing major emphasis on social development. These expenditures represent such items as improved facilities to care for the physically and mentally ill - new and expanded rehabilitation centres - a broader and decentralized regional approach to the provision of basic services.

Education is the partner of progress, and the simulus for opportunity. Among new emphasis this Government wishes to bring to expenditures on education will be aid for student who requires special assistance. This may be by way of better provision for student financial aid, or by technical training in specific skills, or utilization of new teaching methods and approaches. These and other improvements in education are costly but they are necessary. We are concerned to move as rapidly as possible to relieve property tax of the rising burden of education costs. We know that much must be done as fast as our resources will permit.

We have made provision for expanded anti-pollution measures in recognition of the growing intensity of public determination to defend our natural environment. Advancing urbanization also is making environmental management all the more urgent. Already - not only here but throughout the world - a very different and urgent emphasis on resource economics is beginning to develop.

This Government is committed - in practice as well as spirit - to achieving balanced development throughout Manitoba. We will not merely hope for such balance - we will seek it out and act upon every opportunity to achieve practical results. Furthermore, we have had to provide against the possibility of a further softening in the national economy having an effect in Manitoba. Therefore, in planning our programme of capital expenditures, other than a basic $129 million for self-sustaining projects, we have obtained authority for $32 million - all of which we do not expect to spend this year, but which will enable a speeding up in our programme if economic conditions demand and warrant such action.

Balanced regional development is expensive, as well as necessary. Roads to the frontiers are never cheap to build. Special education and effective training provisions do not come at bargain-basement prices. Decentralized but effective health and social services take substantial money. Therefore, we must not move with haste, but with care and planning.

When I introduced the Estimates for the new fiscal year, I indicated that we were moving along the path of planned programme budgeting. We have, of course, only begun. If we add to health and social development commitments the educational undertakings for 1970-71, we have accounted for a combined expenditure increase on current account of 16 percent over 1969-70. Yet we have kept the overall growth in the current Budget to 7.6 percent - in comparable terms.

Mr. Speaker, I stress these facts. I believe that we have given vital assurance to our citizens, to our investors here and beyond our borders, to our federal partner and to all who have an interest in this Province, that public policy in Manitoba is responsible and practical - and progressive. The elements are indivisible. The facts are there - and objective evaluation will confirm the substance of sound budgeting.

(MR. CHERNIACK cont'd.)

REGIONAL DEVELOPMENT

We regret that Manitoba has lagged behind in the past in taking more effective action in response to the needs of local regions in the provincial community. Opportunities to take the initiative for urban development and for more effective roles for local government in a modern community have not always been acted upon. To date, the federal government has not indicated any consistent realization of the need for direct federal-provincial participation with our local governments to meet the challenges of the '70's. As our municipalities develop, we must simultaneously develop the skills and capacities of our people - and that includes the skills and capacities of their governments.

We are committed to improvement in provincial-municipal relationships as a vital support for the broader federal-provincial efforts aimed at eliminating regional imbalance in Canada. But any delay in settling these broad areas of responsibility will not deter us from our commitment to rationalize municipal government in Metropolitan Winnipeg.

The new importance of urban life leaves no reasonable choice but to seek new ways of serving the more than 80 percent of our citizens who will live in urban centres by the end of the decade. But there is an equal, indeed a demanding challenge - to meet the needs of a rural and a remote population. These responsibilities involve very large costs but failure will cost much more. It is, therefore, absolutely vital for success that the greater strength of the federal partner be joined to the provincial-municipal efforts. That is why, Mr. Speaker, there is no aspect of development policy of this Government - no programme area -- no budgetary element - in which we seek to work in isolation. The first of our responsibilities is to work in partnership in the total Canadian community. Anything less can only mean failure in responsibility to ourselves as Manitobans.

Let me deal now with one of the Government's special priorities - the challenge of the North. The Legislative Northern Task Force has tabled its interim Report. In developing our own Provincial programmes we will be influenced by the Report of the Task Force. But, more important still - we will respond directly to the views of the citizens of Northern Manitoba. We have given real and important proof of our intent in road clearing contracts; in the special area approach at The Pas; in the renewed effort to ensure employment for the people of the North; and not least is our concern that Hydro and related developments serve the northern as well as the southern economy and people. We have accelerated the programme of the building of the road to Lynn Lake. And we have given clear indication that communications and transportation, and other services which tie the provincial community together, will be strengthened in our effort to end any sense of isolation in the northern areas.

We have already been able to negotiate with the federal government through the Department of Regional Economic Expansion, known as DREE, an agreement (for about $4 million in initial commitment) to assist the Town of The Pas and the surrounding 100 mile area.

We have not neglected the needs of other regions. The comprehensive programmes undertaken under the FRED Agreement have been the basis for new development in the Interlake. Although most of the federal legislation establishing the FRED Agreement expires at the end of fiscal 1976-77, we have already urged our federal partner to recognize the importance of completing the job of development.

The DREE programmes so far indicated by the federal government have not yet provided the comprehensive approach to regional development that we consider absolutely essential. In the weeks and months ahead, the Government of Manitoba will continue to press the case for the people of our Province to have such a federal-provincial approach applied in their urgent interests. In this, we believe, lies much of the answer to the elimination of regional disparity and imbalance in Canada.

FEDERAL-PROVINCIAL RELATIONS

Mr. Speaker, it is appropriate to set out with considerable care the current circumstances surrounding the federal-provincial partnership. The federal budget presented to Parliament, March 12, 1970, was disappointing. The federal government specifically limited assistance to the provinces at a critical point in Canada's development. In the same budget, the federal government offered no meaningful departure from the existing blanket national federal fiscal and monetary policies being used to combat inflation.

(MR. CHERNIACK cont'd.)

We have told the federal government we will co-operate fully in any real fight against inflation. But we must point out that the present inflation within the Canadian economy has not been adequately defined by the federal government. Therefore, it is not surprising that their use of traditional means of solving inflation do not appear to be the correct response. Certainly, the efforts to date cannot be said to have worked well. Restraint of all regions within the national economy is far too punitive an action, the consequences of which are most harmful.

In its budget, the federal government has painted a disturbing picture for fiscal 1970-71. It anticipates increases in unemployment; prolonged labour strikes; and falling profits.

There are basic questions which the Government of Manitoba puts to those who espouse traditional anti-inflation proposals for restraint. If we must face continuing cutbacks, ceilings on urgent undertakings, and all the other constrictions of a monetary and fiscal strait-jacket, then what does this mean for people?

What indeed must pensioners, the ill, the poverty-struck evisage for their lot? How can they view the prospect of "less still" when they have for far too long been expected to survive on "no more"? How can a man made jobless contribute to the increase in productivity which alone will eliminate basic economic weakness in Canada?

The federal position is that unemployment is a "regrettable" but acceptable consequence of its anti-inflation policy. The Manitoba position is that the prime needs of Canadian citizens for jobs, for homes and for basic social justice cannot be deferred without permanent damage to the economy. For us, people come first - not because of sentiment - because only that makes any lasting economic sense.

Together with basic economic hardship, inequitable taxation is a particularly onerous charge for Canadians. There is an urgency in respect of tax reform. Therefore, whatever may be the flaws in the methods the federal government has proposed, the Manitoba Government supports a firm federal commitment to tax reforms. Such reforms must, however, move substantially in the direction of true equity, with particular concern for the low income groups. I have appended to this Address a special statement of the present views of this Government on tax reform which are points of view that I have already given in this House and elsewhere. They represent the basic attitude of the Government of Manitoba in its continuing effort to promote a fair and practical tax system in Canada.

Mr. Speaker, the Premier has agreed that I should table the recently published Report of the Tax Structure Committee to the Conference of First Ministers. I believe that this is vital information for the House. The present Government of Manitoba - whose predecessor helped instigate the publication of this material - was able to persuade the other Governments involved to provide the public with the opportunity to consider the vital fiscal and financial questions facing every Government in Canada. I commend the Report to the reading of the Honourable Members in its entirety, but I particularly draw to their attention the policy positions stated for the Government of Manitoba. Our views are substantially supported by other Governments - notably in the Atlantic Provinces.

A major element of the Tax Structure Committee work related to shared programme responsibilities. Because the most pressing undertakings to people are provided under these programmes, it is here that the most serious problems in the federal-provincial relationship become specific and frequently painful.

On December 8, 1969, during the course of his introductory remarks to the Third Constitutional Conference in Ottawa, the Premier of Manitoba made the following statement on the subject of joint federal-provincial programming.

> "In Manitoba we have been observing with growing concern the federal plans for withdrawing from some of the most important and expensive of our shared-cost programmes.
>
> ...
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> The disengagement by Ottawa from consultation and direct partnership with the provinces through shared-cost programmes can only lead to the fragmentation of the nation; it will lead to inequities and inefficiencies in programmes across the nation; it will confront all but the wealthiest provinces with the unacceptable prospect of reducing the standards of services provided to their people."

(MR. CHERNIACK cont'd.)

Mr. Speaker, recent federal budgetary decisions have led to a phased or sometimes an abrupt withdrawal by the Government of Canada from participation in health grants, hospital construction grants, the fitness and amateur sport grants, and some national welfare grants - to name only a few. Other programmes - such as support for mental health and tuberculosis care services for native people, capital assistance for the construction of adult training facilities, loans from the Central Mortgage and Housing Corporation for municipal sewage projects, and the health resources fund disbursements - have been cut back or have been constricted severely by insufficient annual allocations to the provinces. These restrictions have been applied by Ottawa in the name of cost-control. Often the restrictions contradict even federally pronounced priorities.

The future of federal assistance to post-secondary education is even more clouded. Of all the so-called "open-ended" shared programmes, the post-secondary programme seems to have been designated most often by the federal government as requiring revision at the earliest possible opportunity.

There are particularly sharp points of concern for us in respect of educational support. Ottawa has indicated an intention to alter the financial basis of its post-secondary education assistance programme when the Federal-Provincial Fiscal Arrangements Act expires at the end of fiscal 1971.

It is essential that the educational services continue to be available and used to their fullest potential to ensure Manitobans the attainment of higher levels of skill. If the federal government were to decide, for reasons of short-term budgetary expediency, to apply stringent limits to assistance for post-secondary education, or even to discontinue some assistance altogether, the ramifications for the universities, the technical schools and Grade XII programmes in this province would be severe.

The federal Medicare legislation, which is scheduled for extensive revamping from its present form in March, 1973, will almost certainly be redesigned so as to include stringent limitations on federal assistance. Manitoba has already seen expenditure curbs of this nature in Ottawa's refusal to accept the eligibility of the St. Amant Ward for inclusion in the Canada Assistance Plan programme. Efforts to secure federal support for other retardate care facilities have also been unavailing. Even the intentions of the federal government in respect of the Hospital Insurance Programme are not clear. Indian services are being cut or summarily shifted to the Provinces. Adult training programmes are being limited, even as unemployment rises.

It was suggested in the federal White Paper on Tax Reform that, after the implementation of major reform proposals, a revised "fiscal equivalent" proposal might be offered to the provinces in an attempt to induce them to accept full responsibility for continuing the major joint programmes. Manitoba has rejected such a concept outright - even if some element of more equalization were included. In our contribution to the Tax Structure Committee Report, we made this position very clear, as I quote:

> "Manitoba... (believes) that the Government of Canada has an overall responsibility to continue direct participation with the provinces in shared programmes for social and economic development. The federal government has the only effective capacity to apply the full inventory of national resources in support of programmes to meet the urgent problems of disadvantaged peoples and regions of Canada - problems which threaten social equity, progress and the unity of the nation."

Mr. Speaker, the attitude of this Government toward the problems of joint programme relationships is not negative. Indeed, the Premier of Manitoba has been given specific commendation for the imaginative and positive proposal which he presented at the December Constitutional Conference outlining an alternative to the present system of shared-cost programming - the concept of "priority option grants". As a solution to the intergovernmental planning conflicts which have characterized the administration of many programmes in the past, the Premier proposed a system of federal grants which would permit the provinces to determine the priorities for their individual jurisdictions from among a broad spectrum of programmes defined within national objectives. I will table the presentation by the First Minister to the Constitutional Conference as an appendix to this Address.

I think it appropriate to emphasize that we are primarily concerned that services to people be effectively delivered. That is the true basis of our Federal-Provincial policy. In

(MR. CHERNIACK cont'd.). . . . . less than two years - at the end of March, 1972 - the federal legislation authorizing the present system of fiscal arrangements between Canada and the provinces will expire. This bears directly on our concern to keep services to people geared to sound social progress. While the current fiscal arrangements have not been entirely satisfactory to Manitoba, at the same time they have been the pivot around which the revenue structure of this Province has developed.

We are budgeting this year to receive some $41 million from Ottawa under the equalization formula and some $15 million in residual support under the post-secondary arrangements programme in fiscal 1970.

Overall Federal transfers to the Province - exclusive of our own income taxes - total an estimated $176 million. I include here the Hospital and the Medicare insurance recoveries, because these would have to be replaced if they were withdrawn. Key public services could not be supported if we were suddenly required to live solely within our own administrative and economic tax capacity. The inter-relationship of the fiscal and programme arrangements with the Government of Canada directly or indirectly affects every aspect of Provincial budgetary and fiscal policy.

We are, therefore, approaching a period of extremely critical negotiations with the federal government. Clearly, much is at stake. The immediate revenue implications are obvious, but there are long-term considerations which are even more important.

Apprehension is justified. The present system of equalization is to undergo a technical review this summer - so some alternatives will almost certainly be offered. The system of tax abatements, upon which our federal-provincial tax collection agreements are based, has also been declared by the federal government to be unsuited to their tax reform proposals. In any case, the proportionate sharing of the major tax fields is certainly affected by the federal tax reform approach. The as yet to be determined direction of federal participation in urban development - and, indeed, in regional development generally - will have an effect on every major programme of the Province.

It bears repeating that the transfer of fiscal equivalents or so-called tax points to the Provinces is no substitute for a direct partnership between the Provinces and Ottawa. Our position on fiscal arrangements is wholly related to our position on shared programmes. We are not asking for more money to spend in our own way. This Government has given its pledge repeatedly to accept a greater exercise of federal taxing power provided we receive a reciprocal acceptance by the federal government of programme responsibility. We ask only that the national government join with us in solving the real problems of our people, of our cities, and of our hinterland.

Mr. Speaker, in recent days, the federal government has joined with the Government of Manitoba in seeking the best way to share in the cost of meeting the emergency facing our commercial fishermen, barred from earning income by the pollution of the waters in which they normally operate.

There have been many instances in the past wherein the federal government has responded to the urgent needs of this Province for assistance. We are confident that there will, in fact, be continuing and responsive federal-provincial co-operation. I cite the most recent negotiations on fishermen's compensation to underline this Government's recognition that the partnership does work. But it takes effort - and it takes mutual respect for the problems of each partner.

We can only pledge Manitoba's diligent search for constant improvement in the federal-provincial relationship. We know most clearly the importance it has for our people, for our Province - and for the nation.

REVENUES AND EXPENDITURES - FISCAL 1969 AND 1970

Mr. Speaker, while the records for the 1969-70 fiscal period are not yet complete, there is every assurance that, after all adjustments and transfers have been made, we will still be able to show a surplus on current account of about $1 million.

A few weeks ago, I tabled in this Assembly the expenditure estimates of the Government of Manitoba for the fiscal year ending March 31, 1971. These showed that the planned $448 million total for the 1970-71 fiscal year was some $49.6 million higher than the Estimates for the previous 12 months. When the amount of the estimated new expenditure of this Government in respect of the provision of medical care insurance to the people of Manitoba - some $19.1 million - was deducted from the $49.6 million increase, the resulting budget total served as a

(MR. CHERNIACK cont'd.). . . . far more accurate basis for comparison with the expenditures of the previous year. In these terms, the spending plans for 1970-71, as I have stated, only 7.6 percent over estimated expenditures for the 1969-70 fiscal year.

We are especially pleased with the fact that the revision of Medicare financing which was accomplished in late 1969 was carried out with the least possible complication and delay. A table has been prepared, in an Appendix to the Address, which compares the provincial income taxes and medical care insurance premium costs of a typical family of four residing in the nine provinces which now have, or soon will have, a medical care insurance programme. The data illustrate clearly the ability-to-pay principle and the very real "cash" advantage which this Government's financing change has brought to the majority of citizens of Manitoba - and particularly to those in low and modest income groups.

The increases in income taxation which took effect on January 1, 1970, are evident in our revenue estimates for the 1970-71 fiscal year. The total of Provincial individual income tax should yield approximately $109.8 million, while revenue from the Provincial corporation income tax is expected to total some $36 million in fiscal 1970.

At this point, Mr. Speaker, I should like to give notice that, shortly, I shall be introducing in the House a bill incorporating a series of technical amendments to the Income Tax Act. This bill will contain provisions which would have the effect of preventing any retroactive application of the 13 percent Provincial corporation tax rate by the federal Department of National Revenue to any portion of a corporation's taxation year which fell within the 1969 calendar year. Changes in the Manitoba income tax legislation are also required under our Tax Collection Agreement with the Government of Canada in order to ensure that certain key sections of the federal and Provincial Acts remain parallel.

Our revenue equalization receipts are expected to reach some $41.0 million in the 1970-71 fiscal year. In the Budget Address which I presented on September 18th last, I noted that adjustments in equalization can require the Province to repay amounts in respect of previous overpayments. We have since received word that Manitoba will be required to repay some $6,169,000 for a 1967-68 fiscal year overpayment by Canada. This amount, you may recall, is somewhat higher than had been indicated last Autumn in the preliminary data then available to us.

We are tabling Revenue Estimates for the Government of Manitoba for the 1970-71 fiscal year which total $448,868,819. The Expenditure Estimates for the same period already tabled show a total of $448,043,500. We thus anticipate a small budgetary surplus for the current fiscal year of some $825,000.

I'd like to spend just a moment on debt and finance management, Mr. Speaker.

DEBT AND FINANCE MANAGEMENT

To accomplish the goal of sound social and economic progress we will continue to require capital investment. We have tried to arrange our financial affairs to take advantage of all of the capital markets available to us. I am happy to say that we have received ready acceptance in each market which we have entered and that each of the four issues sold since the Government took office has been successful.

I have had the experience of being able to meet and talk with investors in Canada, the United States and Europe and have been made aware at first hand of the confidence these investors have in Manitoba's economic growth potential.

In the financial tables and charts which are a part of the Budget Address, I have provided what could be considered to be the historic or traditional statements of Public Debt.

For the purpose of providing full details of direct and self-sustaining issues sold since the Government took office, a separate table of issues marketed since June 25, 1969 is also provided.

Guaranteed Debt

As is readily evident in the statement of guaranteed debt, the major thrust of expansion and investment in Manitoba is through self-sustaining corporations and agencies.

We anticipate capital borrowing from the public bond market in the order of approximately $125 million. This money along with money available from the Canada Pension Plan, from mortgage funds available through Central Mortgage and Housing Corporation, and from internal moneys generated by the utilities, will provide the capital funds necessary to sustain

(MR. CHERNIACK cont'd.). . . . . our programme of planned growth.

We expect Hydro to need some $60 million to carry out its capital programmes and Telephones to require approximately $14 million.

Local School Districts will require upwards of $23 million and Housing and Urban Renewal upwards of $17 million.

Present plans indicate that the Manitoba Development Fund will require between $50 and $60 million. The Agricultural Credit Corporation anticipates direct loans to farmers of approximately $15 million and more.

TAXATION

In keeping with our commitment to review the entire field of taxation in order to bring it as closely as possible in line with the ability-to-pay principle, this Government has been taking a careful look at the present Revenue Tax Act. As has been previously stated, it is our belief that changes in this legislation should aim at providing a substantial tax relief for those in the lower income brackets. We have been looking at various suggested extensions of exemptions to accomplish this purpose. We have been giving particular attention to the need for offsetting the impact of all taxation on lower income groups - including the impact of sales tax. The ramifications of any such far-reaching reforms are many and complex and necessarily require much time and study. We have decided, therefore, against making any changes in the legislation this year until we have had a greater opportunity to make further studies as to some meaningful and long-term reform of the Act.

There will also be some minor adjustments in the gasoline tax to lift the burden of this levy from commercial fishermen and trappers. And may I say in passing there was mention made today of the question of Mining Royalty Tax, the possibility of changes, and I must say we are studying this problem, this question, and are not ruling out any possibility of changes for the following fiscal year.

CONCLUSION

Mr. Speaker, this Budget has been presented in a period dominated by change and by problems which people and communities must fact in meeting change. The people of Manitoba have perhaps special opportunities, in a nation of unique challenge, to contribute a significant measure of new understanding to their own and to the national economic and social environment. In our Centennial Year, we have an occasion particularly appropriate for this achievement.

We have made a solid commitment to proceed with programmes that will enhance the quality of life for those living within our province. We are endeavouring to secure social justice for all. A progressive and truly prosperous community cannot exist without this quality. In making a commitment to justice for all citizens, we have pledged ourselves to balanced social and economic development in this Province.

In our relations with other levels of government, we will continue to seek their cooperation to help us meet the fundamental needs of Manitoba. And while we speak firmly and clearly in the interests of all our citizens, we know that progress can truly be made only where there is an effective operating partnership in Canada - among governments and between governments and the people and their enterprise.

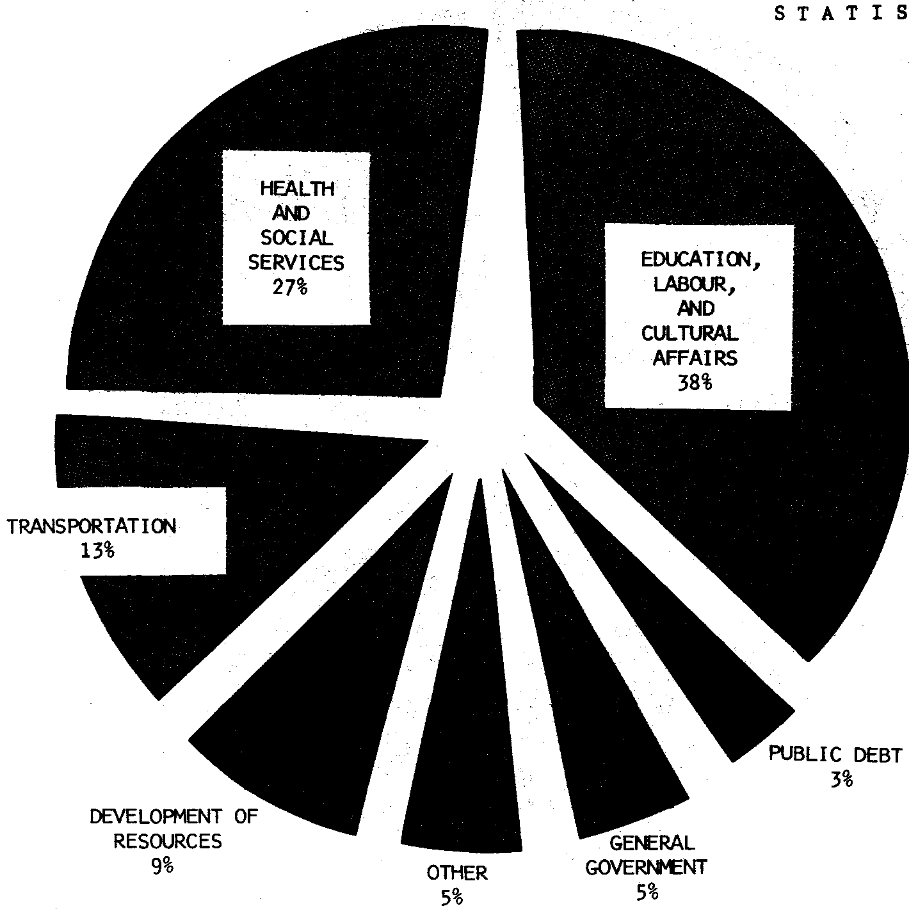
Now, as we commemorate our Centennial, we have the renewed opportunity for commitment to such partnership. In this beginning of a new and exciting era, our Centennial must not only be a celebration of our material achievements but a rededication to the human values which alone give lasting quality to any progress we can make. We believe our fellow citizens have the vision and imagination to build a prosperous future on the foundation of achievement in our first 100 years - a future to be shared by all Manitobans in justice and equity.

SUMMARY OF REVENUE BY MAJOR SOURCE FISCAL 1969 AND 1970

Departmental Services - Fees, Licences, Etc:	Fiscal 1969	Fiscal 1970
Legislation:	$ 95,025	$ 182,700
Agriculture:	237,038	192,800
Attorney-General	3,167,000	3,712,000
Consumer and Corporate Affairs:	481,800	616,375
Cultural Affairs:	26,000	39,000
Government Services:	66,260	85,200
Health and Social Services:	293,400	320,900
Industry and Commerce:	500	-
Labour:	229,864	387,900
Mines and Natural Resources:	2,732,040	3,063,000
Municipal Affairs:	13,000	14,000
Tourism and Recreation:	607,000	659,000
Transportation	14,626,000	13,184,000
Youth and Education:	592,440	836,600
Departmental Services - Fees, Licences, etc. Sub-total:	23,167,367	23,293,475
Taxes and Related Receipts:		
Attorney-General (Liquor Control Commission):	27,000,000	28,100,000
Finance (Taxes, Equalization, Subsidy, etc.):	277,461,384	324,464,384
Mines and Natural Resources (Water Power Rentals and Oil Revenues):	1,928,652	1,926,000
Taxes and Related Receipts - Sub-total:	306,390,036	354,490,384
Shared Cost Receipts:		
Government of Canada:	59,881,829	60,230,290
Provincial Governments:	40,000	47,000
Municipaliites:	1,857,114	2,621,400
Shared Cost Receipts - Sub-total:	61,778,943	62,898,690
Miscellaneous Receipts:	7,592,753	8,186,270
TOTAL CURRENT REVENUE:	$ 398,929,099	$ 448,868,819

APPENDIX "A"

FINANCIAL STATISTICS



ESTIMATED EXPENDITURES

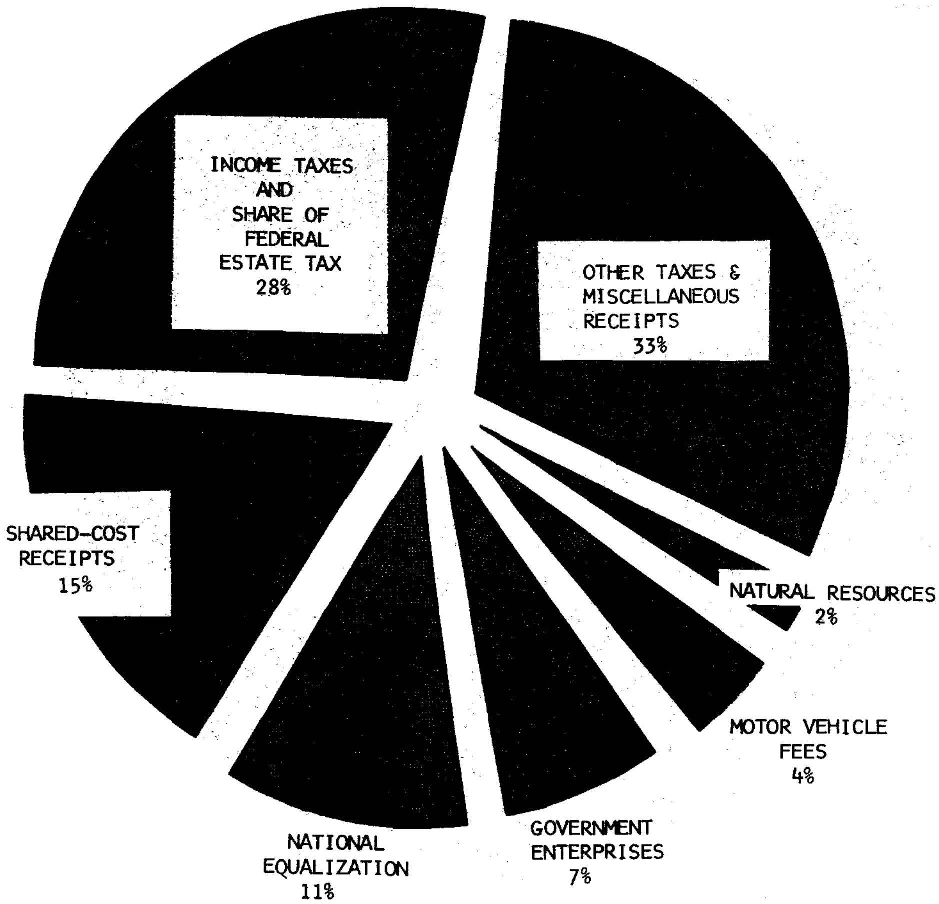
Fiscal 1969

(REVENUE DIVISION)

(millions of dollars)

EDUCATION, LABOUR AND CULTURAL AFFAIRS	$153.0
HEALTH AND SOCIAL SERVICES	107.7
GENERAL GOVERNMENT	18.0
PUBLIC DEBT	12.9
MUNICIPAL, JUDICIAL AND CONSUMER AFFAIRS	$ 21.4
TRANSPORTATION	50.5
DEVELOPMENT OF RESOURCES	34.9

TOTAL: $398.4 MILLION



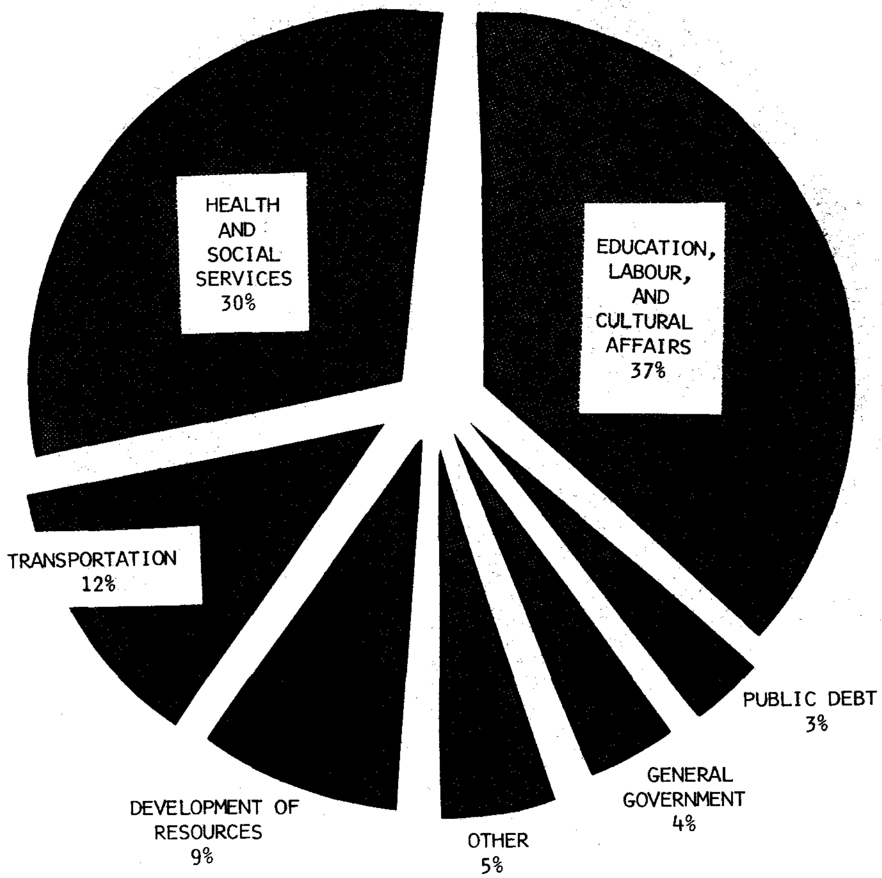
ESTIMATED REVENUES Fiscal 1969

(REVENUE DIVISION)

(millions of dollars)

INCOME TAXES AND SHARE OF FEDERAL ESTATE TAX	$112.6	SHARED-COST RECEIPTS	$ 61.8
NATIONAL EQUALIZATION	42.2	GOVERNMENT ENTERPRISES (LIQUOR CONTROL)	27.0
OTHER TAXES, FEES, ETC.	124.9	MOTOR VEHICLE FEES	14.6
NATURAL RESOURCES	8.2	MISCELLANEOUS RECEIPTS	7.6

TOTAL: $398.9 MILLION



ESTIMATED EXPENDITURES

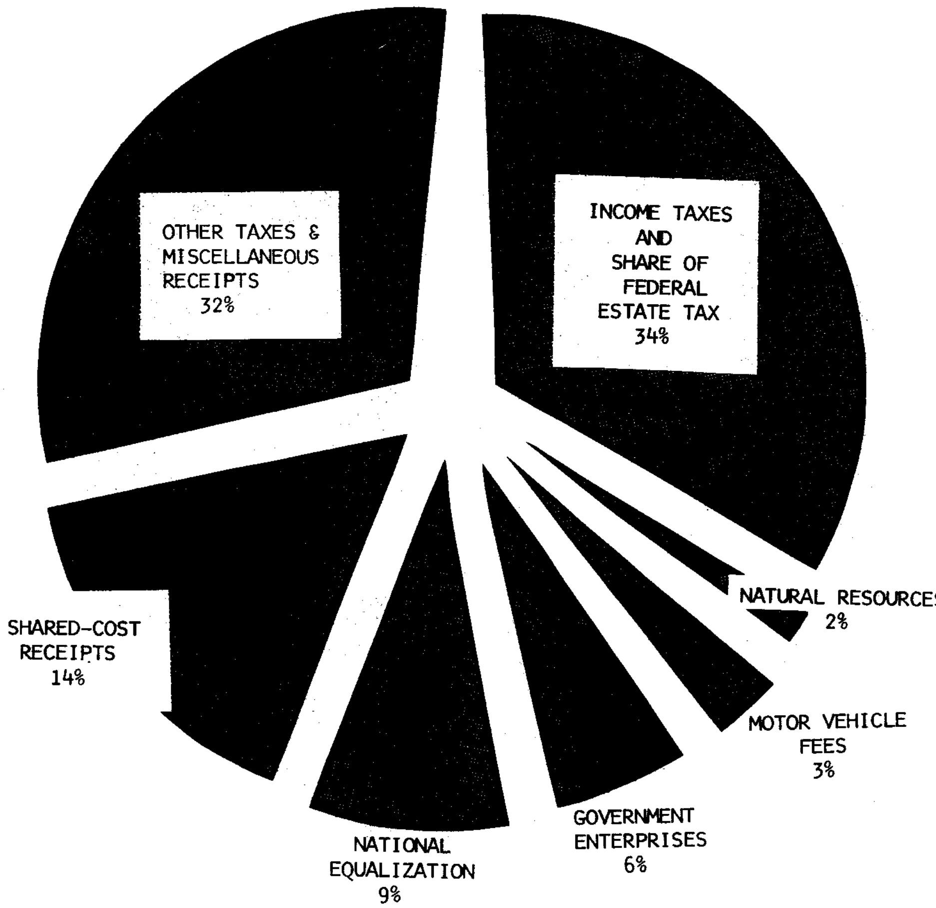
Fiscal 1970

(REVENUE DIVISION)

(millions of dollars)

EDUCATION, LABOUR AND CULTURAL AFFAIRS	$163.8
HEALTH AND SOCIAL SERVICES	136.7
GENERAL GOVERNMENT	16.0
PUBLIC DEBT	13.0
MUNICIPAL, JUDICIAL AND CONSUMER AFFAIRS	$ 23.6
TRANSPORTATION	52.4
DEVELOPMENT OF RESOURCES	42.5

TOTAL: $448.0 MILLION



ESTIMATED REVENUES

Fiscal 1970

(REVENUE DIVISION)

(millions of dollars)

INCOME TAXES AND SHARE OF FEDERAL ESTATE TAX	$151.1	SHARED-COST RECEIPTS	$ 62.9
NATIONAL EQUALIZATION	41.0	GOVERNMENT ENTERPRISES (LIQUOR CONTROL)	28.1
OTHER TAXES, FEES, ETC	135.3	MOTOR VEHICLE FEES	13.2
NATURAL RESOURCES	9.1	MISCELLANEOUS RECEIPTS	8.2

TOTAL: $448.9 MILLION

COMPARISON OF PROVINCIAL INDIVIDUAL INCOME TAXES AND MEDICARE PREMIUMS IN PROVINCES WITH MEDICARE PROGRAMMES

A Family of Four: A Man, His Wife, and Two Children Under Age 16

GROSS INCOME:	$4,000/YEAR	$6,000/YEAR	$8,000/YEAR	$10,000/YEAR
PROVINCE:	Tax plus Premiums (dollars)	Tax plus Premiums (dollars)	Tax plus Premiums (dollars)	Tax plus Premiums (dollars)
Newfoundland	47	152	290	451
Prince Edward Island[a]	40	129	246	383
Nova Scotia	40	129	246	383
New Brunswick[b]	..	..	..	..
Quebec[c]	0	352	599	886
Ontario	217	306	423	560
(Manitoba (former system)	(165)	(270)	(407)	(569)
Manitoba (present system)	69	193	356	546
Saskatchewan[d]	89	197	339	505
Alberta	167	272	410	571
British Columbia	190	279	396	533

Standard deductions and exemptions assumed in calculating income taxes; latest known 1970 tax rates used.

(a) Prince Edward Island has no medicare programme as yet, but has indicated its intention to introduce such a programme in fiscal 1970 without premiums.

(b) New Brunswick has no medicare programme but has passed "enabling" legislation.

(c) Quebec has indicated its intention to introduce a medical care insurance programme in fiscal 1970.

(d) Saskatchewan charges utilization fees in addition to its premiums: $1.50 per visit to a physicians office, $2.00 per visit by a physician to a patient's home. Estimates of average utilization fees paid by a family of four are included in the Saskatchewan totals.

Source: Department of Finance

SUMMARIZED STATEMENT OF DIRECT PUBLIC DEBT AS OF MARCH 31, 1969

Funded Debt:			
Bonds and Debentures			
Payable in Canadian Dollars		$234,360,594	
Payable in United States Dollars		90,000,000	$324,360,594
Treasury Bills			
Payable in Canadian Dollars			96,744,330
			421,104,924
Unfunded Debt:			
Outstanding Checks — Net		12,090,231	
Accrued Interest and Other Charges		8,684,385	
Accounts Payable		5,737,760	
Special Funds		7,659,903	34,172,279
Total Direct Public Debt			455,277,203
The Province considers the following assets to be proper deductions in arriving at Net Direct Public Debt:			
Sinking Funds — Cash and Investments		67,503,701	
Special Reserve for Retirement of Debt		21,370,844	
Temporary and Other Investments		73,242,721	
Advances to Manitoba Telephone System	$46,990,000		
Less: Sinking Funds included above	8,066,177	38,923,823	
Advances to Manitoba Hydro	99,460,000		
Less: Sinking Funds included above	10,623,132	88,836,868	
Advances to Manitoba Agricultural Credit Corporation		31,470,308	
Advances to Manitoba Development Fund		28,130,000	
Advances to Municipalities		14,258,246	
Amounts due from Canada		1,999,935	
Other — net		13,003,966	378,740,412
Net Direct Public Debt			$ 76,536,791

Direct Public Debt outstanding as at December 31, 1969

(Grouped as to purposes for which incurred)

Provincial Capital Assets:		
Roads and Bridges	$ 153,050,430	
Buildings and Public Works	17,361,593	$ 170,412,023
Self-sustaining Agencies:		
Public Utilities (Electricity and Telephones)	229,450,000	
Other (1)	76,234,770	305,684,770
Other:		
Grants and Advances (2)	10,547,960	
Unemployment Relief (Pre-War)	5,319,977	15,867,937
Amortization and Discount		6,276,240
		498,240,970
Less: Self-sustaining Investment and General Debt Retirement Funds		369,911,288
		$ 128,329,682

(1) Other Self-sustaining Provincial Investment: Agricultural Credit Corporation ($10,000,000); Business Development Fund ($52,685,000); Housing and Renewal Corporation (525,000); Municipal Works Assistance ($13,024,770); Total ($76,234,770).

(2) Grants and Advances: Agricultural Research ($5,124,695); Hospitals and Homes for Aged ($2,405,265); Affiliated Colleges ($268,000); Nelson River Energy Studies (Recoverable) ($750,000); General Purposes - Vocational Composite Schools ($2,000,000); Total ($10,547,960).

Direct Funded Debt Comparison

	December 31st 1968	March 31st 1969	December 31st 1969
Debentures	$ 286,788,404	$ 302,747,295	$ 397,536,770
Savings Bonds	22,521,400	21,613,300	12,023,600
Treasury Bills	104,263,230	96,744,330	88,680,600
Total	413,573,034	421,104,925	498,240,970
Debt issued for Utilities and Other Self-sustaining Purposes	213,621,404	222,653,295	305,684,770
Debt issued for General Purposes	199,951,630	198,451,630	192,556,200
Less: Funds provided for Retirement of General Purpose Debt	61,536,870	64,214,514	64,226,518
Net General Revenue Debt	$ 138,414,760	$ 134,237,116	$ 128,329,682

Statement of Guarantees Outstanding by Class of Borrower

	December 31st 1968	March 31st 1969	December 31st 1969
Guaranteed as to Principal and Interest:			
Manitoba Hydro	$ 470,209,000	$ 471,209,040	$ 467,209,040
Manitoba Telephone System	121,600,000	131,500,000	148,500,000
Manitoba Water Supply Board	2,954,000	2,954,000	5,977,000
University of Manitoba	25,929,134	25,929,134	25,860,521
Manitoba Development Fund	14,870,000	14,870,000	24,915,000
Manitoba School Capital Financing	35,000,000	35,000,000	45,049,000
Manitoba Agricultural Credit	8,850,000	8,850,000	8,850,000
Hospitals and Other	7,374,500	7,342,038	7,065,804
	$ 686,786,634	$ 697,654,212	$ 733,426,365
Guaranteed as to Interest Only:			
School Districts	$ 2,933,601	$ 2,929,859	$ 2,690,599
Municipalities	1,979,439	1,979,439	1,791,228
	$ 4,913,040	$ 4,909,298	$ 4,481,827
	$ 691,699,674	$ 702,563,510	$ 737,908,192

Note: Sinking Funds and other Debt Retirement Funds at December 31, 1969 total:

(a) For General Purpose Debt	$ 64,226,518
(b) For Self-sustaining Direct and Guaranteed Debt	67,077,440
	$ 131,303,958

Provincial and Self-Sustaining Debenture Issues Sold since June 25, 1969.

	Series No.	Date of Issue	Where Sold	Amount of Issue	Coupon Rate	Yield to Investor
(1)	1K & 1M	Sept. 15, 1969	Canada	$17,000,000 (Can.)	8%	8.31%
(2)	9M	Nov. 15, 1969	U.S.A.	50,000,000 (U.S.)	8 7/8%	8.90%
(3)	9N	Mar. 16, 1970	Luxembourg	12,000,000 (U of A)	9%	9%
(4)	2Q	April 1, 1970	Canada	20,000,000 (Can.)	9%	9 1/8%

HEALTH AND SOCIAL SERVICES EXPENDITURES

FISCAL 1969 AND FISCAL 1970

(Thousands of Dollars)

Purpose	Fiscal 1969	Fiscal 1970	Percent Increase
Medical Care Services			
(a) Direct Government Support	$ 11,000	$ 30,100	
(b) Premiums	20,261	3,600	
	$ 31,261	$ 33,700	7.8
Hospital Services			
(a) Direct Government Support	$ 21,361	$ 21,458	
(b) Premiums	24,450	25,000	
	$ 45,811	$ 46,458	1.4
Mental Health and Correction Services*	17,801	32,249(1)	81.2
Public Health Services*	12,182	15,020(2)	23.3
Social Services	38,258	42,450	11.0
Other Purposes (including Elderly and Infirm Persons' Housing)*	7,117	8,517(3)	18.7
Total Expenditures (per Printed Estimates and Premiums)	$152,430	$178,394	17.0
Add: Shared Cost Recoveries from the Government of Canada**			
Manitoba Hospital Commission	$ 40,975	$ 45,150	10.2
Manitoba Health Services Insurance Corporation	19,000	22,000	15.8
Total Expenditures for Health and Social Services (including Hospital Insurance and Medical Programme Recoveries and Premiums)	$212,465	$245,544	15.6

*Additional funds were authorized for capital construction by Bill 47 (1970).

(1) Mental Health Services	$10,035,700
Correction Services	2,489,500
	$12,525,200
(2) Public Health Services	$ 75,000
(3) Other Purposes (Elderly and Infirm Persons' Housing)	$ 500,000

**Estimated shared-cost recoveries from the federal government for the Manitoba Hospital Commission and the Manitoba Health Services Insurance Corporation are now included in the Trust and Special Division of the Consolidated Fund, but are included in this table for purposes of an aggregate presentation of Health and Social Services expenditures from Provincial revenue.

GOVERNMENT OF MANITOBA EXPENDITURE FOR EDUCATION

(including Grants)

FISCAL YEARS 1969 AND 1970

(Thousands of Dollars)

Purpose	Fiscal 1969	Fiscal 1970	Percent Increase
Primary and Secondary Schools			
(a) Operating	$ 84,929	$ 89,762	5.7
(b) Capital	2,661	3,395	
	$ 87,590	$ 93,157	
Technical, Vocational and Special Schools			
(a) Operating	13,008	14,877	14.4
(b) Capital	5,613(1)	3,440(2)	
	$ 18,621	$ 18,317	
Universities			
(a) Operating	33,539	39,667	18.3
(b) Capital	11,500	12,550	
	$ 45,039	$ 52,217	
Total Investment in Education	$151,250	$163,691	8.2

(1) Includes $2.0 million borrowing under capital authority for grants for the construction of Regional Vocational High Schools.

(2) Includes $3.0 million borrowing under capital authority for the construction of Regional Comprehensive High Schools.

APPENDIX B

REVIEW OF THE MANITOBA ECONOMY IN 1969 AND PROSPECTS FOR CURRENT YEAR 1970

REVIEW OF THE MANITOBA ECONOMY IN 1969

On the whole, Manitoba's economy moved forward in 1969 with respectable increases in both gross provincial income and personal income. But Manitobans, as well as other Canadians, faced the persistent problems of inflation in spite of the federal government's efforts to contain prices through traditional monetary and fiscal policies.

Federal anti-inflationary policies did not work effectively in 1969. The rate of inflation last year for both Manitoba and Canada exceeded 4% — marking the largest increase since the Korean War period. The dangers of uncontrolled inflation exist and are real — if not readily apparent.

Much of Manitoba's economic strength in 1969 was attributable to the increasing diversification of the provincial economy. This diversification has lessened the impact of individual sector fluctuations on the total economy. Manitoba has increasingly benefitted from growing interdependence among different economic activities which encourage the creation and expansion of new industries, new service trades and new employment and income opportunities.

Income, Employment and Population

In Manitoba, gross provincial income grew by 9% during 1969 to reach an estimated $3,639 million. This was a slightly slower growth rate than reported for the gross national product and reflected both a depressed agricultural situation in Manitoba and the negative impact of federal blanket monetary policies designed to slow an inflationary national economy. While certain economic regions in Canada have been exhibiting extreme inflationary pressures, those same regions continue to enjoy marked advantages in resources and development. The economic performance of other regions has for too long lagged behind. Unfortunately all regions of Canada are being forced to share the burden of blanket federal monetary and fiscal policies aimed at halting inflation — policies which do not adequately reflect regional differences in economic performance and conditions.

Total personal income in Manitoba increased to $2,839 million in 1969, representing a growth rate of 10% over the previous year and equal to the growth in personal income for all of Canada. Average wage and salary rates which have been lower in Manitoba than for the nation as a whole, have been increasing more proportionately in the province during the past three years. The gap between Manitoba's average wage level and the national average has thus been narrowing. Wages and salaries in Manitoba — which account for the bulk of total labour income — increased faster in 1969 than in 1968. However, for the past three years, farm cash income has experienced a decline. This trend became quite pronounced in 1969 when a decrease of nearly 5% in farm cash income was recorded over that of 1968. Falling grain sales were the prime cause of this decline. Farmers — with declining real incomes — and others on low or fixed incomes are the hardest hit by inflation. Furthermore, these people are not in a position to offset inflation by demanding increased returns.

The basic employment statistics for Manitoba continued to show an average degree of strength above many regions in Canada. However, while the unemployment rate averaged less than 3% for 1969, and 3,000 more people were actually employed on average than in 1968, these data are not in themselves sufficient reassurance. Nor does the improving average of wages and salaries in Manitoba give complete satisfaction. Averages alone will not answer all the necessary questions which are relevant to our social and economic problems. For we know that available statistics of employment and incomes do not show in any adequate way the numbers of our workers who are either employed only marginally, or at low incomes and with little job security. We know that even the most welcome average wage improvements do not assure good earnings for too large a number of Manitobans.

Other facts bearing on the employment picture are the population trends. Manitoba — as for the rest of the mid-western region of the continent — has had very modest population growth for several years. Indeed, with the increasing movement to urban centres, it is inevitable that the largest metropolitan regions will draw off people. This is, of course, a matter of concern. Manitoba wants and needs to keep its people and to attract others. The province's labour force growth is related to population trends as well as to opportunities.

Therefore, when employment data are considered, there must also be awareness that mere stability in the ratios of workers to jobs is not enough. The economy needs to provide for employment growth — and growth at good income — with full benefit for all people.

Manitoba must seek to retain the best of its young citizens — they will determine the future wherever they apply themselves. Employment, therefore, must be measured in more than average statistics — it must in due course reflect quality of opportunity and satisfaction, if Manitoba is to progress.

Investment

Private and public capital spending in Manitoba increased at a rate of 7½% in 1969 and was equal to the rate of gross investment reported in 1968. Institutional and government investment was largely responsible for maintaining this growth rate in 1969, while the growth rate for utilities showed a decline and private investment showed only a small increase. The lower business expectations in 1969 signified, in some degree, a slowing of economic activity generally — but more particularly, the restrained regional investment growth was a reflection of the high cost of investment dollars and a short supply of capital. The federal monetary restraints were clearly a factor in making development support beyond the central regions even more vulnerable.

The necessity for public sector response to the increasing demands being placed upon government agencies providing services to people is a factor weighing most heavily on provincial and local governments in Canada. Such services contribute significantly to a higher level of productivity, especially through education and technical training. Thus, when the sources of capital, to which access is always difficult for regional and local governments, become even further constrained as in recent months, there is a direct inhibition on regional development. This is a factor of major concern for Manitoba, where it is essential that social and economic progress not be interrupted.

Production

Production in most sectors of the economy experienced healthy increases over the levels attained in 1968. Unfortunately agriculture continued to experience serious difficulties in 1969. While a decline in wheat acreage of 26% from 1968 was offset somewhat by diversification of agriculture to other production such as livestock, and further increases in summer-fallow acreage, the loss of large grain sales was impossible to offset fully. Total livestock sales increased from $172 million in 1968 to $177 million in 1969, but additional sales were limited because producers were still building up their herds. This important requirement for time to shift production emphasis in agriculture is too little understood by many not experienced in an agricultural economy.

In spite of a depressed farm situation, Manitoba's gross primary resource output increased in 1969 to a level of $768 million. The mineral industry alone recorded a 17% increase in production in 1969 — with nickel production the major contributor to the increase — offsetting the decline in gross output value for the agricultural sector attributable to falling wheat sales. During 1969, three new mines came into production — the Dumbarton nickel mine in the Bird River area; the Tantalum mine at Bernic Lake — North America's largest producer of Tantalum; and INCO's Birchtree mine in the Thompson area. A copper-zinc orebody discovery, near Flin Flon, has just recently been announced.

On the whole, the manufacturing sector of the provincial economy held its own in 1969 — despite the problems of inflation and tight money conditions and a depressed agricultural sector. Industries supplying goods to the agricultural sector experienced slower growth rates than recorded for Canada as a whole. On the other hand the food and beverage industries which account for over 2/5ths of the value of total manufacturing shipments in Manitoba, performed somewhat better than the average for Canada. This was evidence of a continuing market strength for agricultural output in the province — reassuring in this difficult period. It is important to note the growing importance of the service industries. Services and other extensions of secondary industry have — with mining — continued to be the major sources of new employment capacity and income generation.

There was some growth in output from the forest industry in 1969. New investment in processing is advanced and it is hoped that new employment and income generation in the north will become increasingly evident. There are, of course, major challenges to be met and concerns in ensuring that new forestry development truly serves the needs of Manitoba citizens and the provincial community.

The fisheries industry did not do well in 1969 — Manitoba's fish production available for sale declined by 9% in value. This reduction was a result of a period of adjustment for the industry and a decline in fish stocks in Lake Winnipeg. With the introduction of the Fish Marketing Board, the industry is undergoing major adjustments and early results cannot reasonably be expected at this time. The problems of water contamination have now reached such proportions that Lake Winnipeg, Cedar Lake and the Saskatchewan River have been temporarily closed to commercial fishing. This necessary measure will actually benefit the fishing industry in the long term by alleviating the depletion of fish stocks in these lakes. Manitoba is making arrangements with the federal government to provide commercial fishermen with compensation for their losses. It is hoped that this problem, which involves not only Manitoba but our neighbouring jurisdictions, will be capable of early solution. The first concerns are for public health and for the people dependent upon the industry for their livelihood, of course.

Construction, Utilities and Transportation

There are basic indicators of economic performance which cut across and underlie many sectors of the economy. We have already touched on income, investment, labour, population and prices. Construction is one reflection of all these factors and more.

Construction in 1969 grew at about the same pace as it did in 1968, in total. Residential housing unit starts in Manitoba recorded an 84% increase over those of 1968 responding to a continued housing shortage in Manitoba. However, too many of the starts were in price ranges not likely to meet the housing needs of far too many Manitobans. Again, high interest charges and a general scarcity of capital made the housing situation more difficult to resolve. The government is attempting to meet the need for more low cost housing in its plans for the years ahead.

Power, communication and motor vehicles all reflect other aspects of economic activity and strength. In 1969, the available peak hydro power increased by 10%. There were 5,000 more telephones installed in the Province in the past fiscal year. Together more than $130 million in new capital was invested in hydro and telephone facilities in the fiscal year 1969-70. Motor vehicle registration increased by 19,252 to a total of 434,792 in 1969. In these three elements of hydro power, communications and transportation are factors of special significance in a developing province with a still small population. They underpin growth in capacity, in quality and in community integration for Manitoba.

Trade

Retail trade continued to grow in 1969. A major factor in this growth was undoubtedly the expanding use of credit, pointing up a paradox in federal anti-inflationary policy. Even though the objective of federal tight money policy was to keep consumer spending down in order to bring prices back to an acceptable level, this policy did not work. In fact, people were apparently prepared to pay high prices for commodities, service and credit. Consumer and related investment credit were easily available albeit at record cost, but social capital was scarce. The blanket fiscal and monetary policies of the federal government were ineffective in these circumstances in setting a better balance — either in monetary or in economic terms — for this region.

Tourism contributed $120 million to the provincial economy. Tourism is now one of the Province's most important industries. As such, it is a basic manifestation of the service emphasis in new economic growth. Trade and service expansion and development — including public services — are the principal elements of tourism as an industry. Here, Manitoba has continued to do well, perhaps because her economy and her geography and her resources combine in a manner especially favourable to serving visitors — for recreation and business.

PROSPECTS FOR THE CURRENT YEAR — 1970

Our favourable growth rate of 1969 could be seriously threatened in 1970. The signs are already disturbing. If inflation continues, and the federal government continues to apply the present blanket anti-inflationary tools, the regional economy as a whole may be retarded and increased unemployment may well occur. Manitoba does not endorse monetary and fiscal policies of restriction which have a principal effect of increasing unemployment. The Provincial Government recommended the use of selective credit controls on investment and spending as an alternative. While the federal government did at least propose credit restrictions, their 1970 budget recommendations were frankly disappointing in that their selectivity was not relevant to the areas of real trade and investment distortions. Too much leeway was left for continued non-essential building and expenditure. Furthermore, the continuing federal anti-inflationary measures are basically weakening to Manitoba's economic drive.

Inflation is a symptom of more basic weaknesses in any economy. Price instability is a symptom and not a cause. Any efforts to restrain prices and incomes would have to be supported by positive programmes to deal with these basic weaknesses — the real problems — in Canada's economy. An obvious difficulty is our intense sensitivity to what occurs in the U.S. But there are factors under our control as a nation which have created basic weaknesses here. Among these weaknesses are the wide regional and sector disparities of opportunity, capacity and performance. Attempts to halt inflation by broad and indiscriminate measures which attack the very programme base of progress toward easing these disparities will incur a far dearer cost than the present price of inflation.

Continued price inflation will continue to erode the benefits of real growth in our economy and continued price instability may draw even more widespread federal control measures in 1970. If these are as unimaginative as those presented in 1969, there is good reason to be concerned. The consequences could be most damaging to the Manitoba economy.

The present outlook for 1970 is for continued growth in output in the Province, but at a slower rate relative to last year. Total personal income in Manitoba is likely to grow at about the same rate as in 1969. Private and public investment in 1970 is expected to increase at the same rate as last year, along with an expected 7.5% increase forecast throughout Canada in 1970. Much of this optimism rests on the assumption of stabilization in interest rates and the evidence that — for much of the country — the real need is for growth and not constraint.

Overall production in the resource sector of our economy should show a strong increase in spite of depressed markets in the agricultural sector. Mineral output is expected to continue at a healthy rate in 1970.

A major factor in this optimistic outlook on production is that there is a substantial backlog of demand on the continent.

The number of livestock to be sold in 1970 is expected to increase substantially. Although this agricultural diversification is a healthy sign, it is not enough to solve the major long-run adjustment problems facing agriculture. Immediate attention has been given to alleviating farm cash shortages in the short-run. To this end, Manitoba has urged the federal government to provide supplementary cash advances to farmers or to co-operate with the Province to make it possible for Manitoba to provide such advances. The federal government has moved to meet short-term problems, but there is serious doubt as to the benefit of the federal action. Certainly, the recently proposed federal programme for wheat acreage reduction is not directed to solving the long-run adjustment problems for agriculture. The programme with its weak incentives, is not expected to have much positive impact for Manitoba farmers, given the established reduction in acreage already achieved in the past two years. Regrettably, federal funds were not better utilized at this critical time. Certainly the Manitoba Government will continue to press for farm policies of greater substance and relevance for farmers and for the total community.

The exceptional rate of increase for residential housing starts in 1969 cannot reasonably be expected to continue in 1970, in the face of money shortages and federal restraints on support programmes. The housing industry is already showing a decline this year compared to 1969. The Government of Manitoba is responding to the provincial housing shortage but additional federal support is required from the C.M.H.C.

Our Centennial Year should provide the impetus for another record in tourist activity. The Centennial is being promoted across Canada and the U.S. as a major tourist attraction. Manitobans will have a double opportunity — to share in these celebrations and to build an even wider base for future tourist development.

The Manitoba Government is committed to more realistic planning of present and projected programme priorities in all fields. This process of programme emphasis rather than unrelated money control will mean that things which must be done, to maintain and build strength in the economy, will be done. There will, of necessity, be difficult decisions to make. But it is better, surely, to make such decisions in positive terms, for people, than to allow the economy to penalize people simply through failure of public policy.

There is no economic magic — no blanket policy for instant success. But there is always opportunity — opportunity to meet effectively the challenges of today's social and economic problems and in so doing to create an environment for the future that truly enhances the quality of life for every Manitoban.

APPENDIX C

ECONOMIC TABLES

COMPARISON OF
MANITOBA'S ESTIMATED GROSS PROVINCIAL INCOME
AND
THE GROSS NATIONAL PRODUCT (1)

(millions of dollars)

Year	Manitoba's Estimated Gross Provincial Income	Percent Change Over Previous Year	Gross National Product	Percent Change Over Previous Year
1959	$ 1,835		$ 36,266	
1960	1,928	5.1	37,775	4.2
1961	1,893	- 1.8	39,080	3.5
1962	2,122	12.1	42,353	8.4
1963	2,185	3.0	45,465	7.3
1964	2,415	10.5	49,783	9.5
1965	2,569	6.4	54,897	10.3
1966	2,785	8.4	61,421	11.9
1967	3,028	8.7	65,608	6.8
1968	3,338	10.2	71,454	8.9
1969*	3,639	9.0	78,099	9.3

*Estimated

(1) At market price

NOTE: Data have been revised to accord with updated D.B.S. statistical series

Source: Department of Finance

SELECTED ECONOMIC INDICATORS FOR MANITOBA

(millions of dollars)

Year	Personal Income(1) Value	Personal Income(1) Percent Change	Labour Income(2) Value	Labour Income(2) Percent Change	Farm Cash Income Value	Farm Cash Income Percent Change	Cheque Cashings Value	Cheque Cashings Percent Change
1959	$1,388		$ 791		$231		$17,158	
1960	1,461	5.3	828	4.7	233	0.9	19,081	11.2
1961	1,425	- 2.5	855	3.3	243	4.3	21,131	10.7
1962	1,602	12.4	897	4.9	263	8.2	21,191	0.3
1963	1,639	2.3	944	5.2	272	3.4	26,496	25.0
1964	1,777	8.4	994	5.3	302	11.0	27,284	3.0
1965	1,900	6.9	1,071	7.7	342	13.2	30,922	13.3
1966	2,073	9.1	1,173	9.5	377	10.2	33,715	9.0
1967	2,318	11.8	1,309	11.6	374	- 0.8	35,372	4.9
1968	2,577	11.2	1,452	10.9	368	- 1.6	34,184	- 3.4
1969*	2,839	10.2	1,620	11.6	351	- 4.6	36,436	6.6

*Estimated

(1) Data have been revised to accord with updated D.B.S. statistical series
(2) Unadjusted wages and salaries

Source: Department of Finance
Department of Agriculture
Department of Labour

NEW CAPITAL INVESTMENT IN MANITOBA

(millions of dollars)

Year	Institutional Services and Government	Percent Change	Utilities	Percent Change	Private Sector and Other Capital Investment	Percent Change	Total	Percent Change
1959	$122.9		$181.9		$346.7		$651.5	
1960	152.6	24.2	181.8	- 0.1	346.7	0.0	681.1	4.5
1961	142.6	- 6.6	151.2	-16.8	290.9	-16.1	584.7	-14.2
1962	131.5	- 7.8	170.2	12.6	294.7	1.3	596.4	2.0
1963	133.5	1.5	208.5	22.5	333.4	13.1	675.4	13.2
1964	148.1	10.9	190.9	- 8.4	380.3	14.1	719.3	6.5
1965	145.6	- 1.7	173.7	- 9.0	414.9	9.1	734.2	2.1
1966	193.5	32.9	201.2	15.8	465.4	12.2	860.1	17.1
1967	180.4	- 6.8	271.3	34.8	495.5	6.5	947.2	10.1
1968	212.8	18.0	305.4	12.6	501.0	1.1	1019.2	7.6
1969*	261.3	22.8	315.2	3.2	519.8	3.8	1096.3	7.6

* Estimated

Source: Department of Finance

MANITOBA PROVINCIAL OUTPUT GROSS VALUE

(millions of dollars)

	Primary Resources		Construction		Manufacturing		Retail Trade	
Year	Value	Percent Change	Value	Percent Change	Value	Percent Change	Value	Percent Change
1959	$420	- 1.2	$398	15.4	$731	8.5	$ 813	7.8
1960	438	4.3	397	- 0.3	711	- 2.7	843	3.7
1961	403	- 8.0	370	- 6.8	717 (1)	N/A	767 (1)	N/A
1962	616	52.9	361	- 2.4	753	5.0	801	4.4
1963	583	- 5.4	403	11.6	794	5.4	827	3.2
1964	638	9.4	421	4.5	861	8.4	873	5.6
1965	687	7.7	415	- 1.4	913	6.0	918	5.2
1966	706	2.8	485	16.9	1,019	11.6	1,006	9.6
1967	697	- 1.3	558	15.1	1,080 (1)	6.0	1,110	10.3
1968	716	2.7	645	15.6	1,090 (1)	N/A	1,146(1)	N/A
1969*	768	7.3	728	12.9	1,143	4.9	1,204	5.1

*Estimated

(1) Data for this year and subsequent years should not be compared directly to those of previous years as the series has been revised to accord with D.B.S. data revisions

Source: Department of Industry and Commerce
Department of Agriculture
Department of Mines and Natural Resources
Department of Finance

VALUE OF MANITOBA'S PRIMARY RESOURCE PRODUCTION

(thousands of dollars)

	1963	1964	1965	1966	1967	1968	1969*
Agriculture(1)	$379,828	$430,190	$465,070	$490,000	$479,000	$471,576	$486,000
Minerals	169,633	174,270	182,883	179,371	184,654	209,000(4)	245,600
Forest Products	20,470	22,500	24,500	24,500	23,500	24,200	25,500
Furs(2)	5,254	5,047	6,676	5,134	5,590(4)	5,261(4)	5,910
Fisheries(3)	7,429	6,408	7,545(4)	7,466	4,721	5,497(4)	5,000
Gross Resource Output	582,614	638,415	686,674	706,471	697,465	715,534	768,010

*Estimated

(1) Excludes fur farm production and agricultural forest production reported in "Furs" and "Forest Products"
(2) Ranch and wild furs
(3) Based on the fiscal year
(4) Revised

Source: Department of Agriculture
Department of Mines and Natural Resources

ELECTRIC POWER AVAILABLE IN
MANITOBA

Year	Kilowatt Hours (millions)	Average Net Value (thousands of dollars)
1959	4,405	$34,330
1960	4,565	36,387
1961	4,908	41,137
1962	5,252	44,293
1963	5,778	47,344
1964	5,844	49,822
1965	6,264	51,931
1966	6,817	55,385
1967	7,207	58,541
1968 *	7,514	66,500
1969 *	8,055	74,100

* Estimated

Source: Manitoba Hydro Electric Board. Previous years' data revised to accord with D.B.S. statistical series of electric power availability

DISTRIBUTION OF INCOMES IN MANITOBA

(BASED ON INCOME TAX DATA
FOR LATEST YEAR AVAILABLE)

GROSS INCOME	NUMBER OF INCOME TAX RETURNS	PERCENT OF TOTAL NUMBER OF INCOME TAX RETURNS
Under $1,000	53,066	13.2
1,000 - 2,000	58,344	14.5
2,000 - 3,000	57,615	14.4
3,000 - 4,000	50,643	12.6
4,000 - 5,000	42,963	10.7
5,000 - 6,000	40,532	10.1
6,000 - 7,000	32,403	8.1
7,000 - 8,000	20,525	5.1
8,000 - 9,000	12,871	3.2
9,000 - 10,000	8,417	2.1
10,000 - 15,000	16,553	4.1
15,000 - 20,000	3,982	1.0
20,000 - 25,000	1,428	0.4
over 25,000	2,031	0.5
TOTAL	401,373	100.0%

Source: Department of Finance

RESIDENTIAL
DWELLING STARTS IN MANITOBA

(dwelling units)

PERIOD	SINGLE DETACHED	PERCENT CHANGE	TWO FAMILY	PERCENT CHANGE	ROW	PERCENT CHANGE	APARTMENT + OTHER	PERCENT CHANGE
1959	4411		224		8		1940	
1960	3539	-19.8	392	75.0	52	550.0	1149	-40.8
1961	3759	6.2	256	-34.7	51	-1.9	1612	40.3
1962	3279	-12.8	174	-32.0	345	576.5	891	-44.7
1963	3794	15.7	182	4.6	264	-23.5	2148	141.1
1964	4270	12.5	230	26.4	412	56.1	1740	-19.0
1965	3621	-15.2	232	0.9	162	-60.7	1954	12.3
1966	3200	-11.6	196	-15.5	129	-20.4	1727	-11.6
1967	3374	5.4	216	10.2	367	184.5	1880	8.9
1968	2649	-21.5	237	9.7	274	-25.3	3296	75.3
1969	3315	25.1	416	75.5	707	158.0	7406	124.7

Source: Department of Finance

APPENDIX D

A STATEMENT OF POSITION ON TAX REFORM FOR THE GOVERNMENT OF MANITOBA

(The Honourable Saul Cherniack, Minister of Finance, Speaking in the Legislative Assembly of Manitoba on the 28th April, 1970, Gave the Following Summary of the Current Manitoba Government Position in Respect of the Federal Tax Reform White Paper)

SUMMARY POSITION ON FEDERAL TAX REFORM PROPOSALS

1) There are some useful reforms in the White Paper proposals — but they are too few and too limited. Special privileges remain - indeed are extended - for some industries and for the wealthiest people in the community.
2) Our main objection is that — contrary to the Carter Commission recommendations — the federal proposals are more concerned to tax according to how money is earned rather than according to how much. This is contrary to "ability to pay" as a basis for taxation.
3) Only direct income taxes are covered in the White Paper. The massive reforms needed in respect of indirect sales taxes and property taxation — the most pervasive and most regressive taxes, respectively — are still uncharted. The taxpayer is still faced with major inequities beyond what we have seen so far. More than half the total tax burden in Canada is simply not covered in the federal paper.
4) The proposals do not meaningfully redistribute income beyond the present structure. The biggest saving for a low-income person — $127 for a married man with two children and $4000 a year. But if you were to earn over $50,000 — there are actually provisions for reduction in tax. At $100,000 the reduction is $5,423 — at $400,000, the reduction is $27,000.
5) Exemptions are the wrong way to give relief to the lower-income earner and, in any case, the proposed exemptions are of minimal value. Tax credits are far more realistic, equitable and economical.
6) The employee expense deduction is a welcome innovation, but far from adequate — and totally inequitable when you consider that a businessman has virtually no limit to legitimate business expense in offsets permitted against tax. Similar criticism can be aimed at the specific approach to an otherwise welcome provision for child-care allowances.
7) Depletion allowances and other resource industry incentives, etc., are still going to operate — these may well be wrong in principle — whatever the basis for computing them.
8) The preservation — indeed the emphasis — of favour for equity investments over debt financing puts the social capital needs even lower down the priority scale in the money markets than now — and this can only mean more hardship for local and Provincial Governments in meeting their responsibilities for social services and development generally. Thus the economic distortion deepens.
9) Capital cost allowances must be fully re-examined before setting any final corporate tax policy. And unlimited advertising expenditure offset against tax liability remains a major inequity and an economic weakness which the White Paper ignores.
10) On Small Business:
    a) We agree on the elimination of the easily abused dual tax rate on corporations — but there must be alternative provisions for truly small and innovative business — as the Carter Commission recommended. These new and small-scale operations need aid in finding and holding capital. They are entitled to various special incentives with offsetting disincentives to large operators who simply use tax advantages to wipe out small competitors. Manitoba proposes tax deferral for small business for a specified period of "start-up".
    b) The fact that small business generally accounts for less profit in aggregate is poor reason to write off such enterprise. We must encourage innovation and decentralized enterprise for the sake of regional balance and basic productivity and economic democracy. This may well be preferable by way of support outside of the tax system itself.

    Size is no virtue in itself — large or small. But social-economic productivity is. Small firms seem generally more likely to take a new idea into operation. Large firms often tend to do so only if the cost is minimal relative to established profits.

GENERAL COMMENTARY

The official approach of the Manitoba Government on the federal proposals for tax reform, as presented to the Ministers of Finance meeting in December, 1969, after clearance with the Manitoba Cabinet, remains virtually unchanged. That position is that the proposition to shift the basic burden of taxation from those at low and low-middle incomes more proportionately to those at high-middle and high incomes is an urgent necessity in respect of social and economic justice.

The reservations of the Manitoba Government in respect of the federal approach have been related to technique and method — that is, to the practical steps proposed for reaching the objectives of greater tax equity. An overall Manitoba objection has been that the federal tax reform proposals do not go far enough. Indeed, there is a "tokenism" in the federal approach that conflicts both with intent of true reform, and with the urgent need for reform in Canada's tax structure.

The extent of relief that would be provided by many of the propositions is woefully short of need, justice, and indeed, simple recognition of what has happened to basic living costs in recent years. The federal proposals evince too much concern for abstract principles in respect to tax dollars, paid or exempted, and stop short of providing real equity and showing genuine consideration for the people who pay tax beyond their capacity.

The objective approach to tax reform, in our view, must deal with two basic questions:

1) Does the existing or proposed tax structure effectively and equitably serve Canadians in deriving adequate support for essential public, social and economic services and development?
2) Does the existing or proposed tax structure provide fair and adequate opportunity in Canada for all citizens and for all worthy applicants for residence in Canada whether they be individual or corporate?

We would have preferred that the full range of taxation had been covered in the federal White Paper tax reform proposals and not just income taxation alone. It is particularly difficult to evaluate fairly the full impact of the federal proposals because there is still the task of reforming sales and other consumption taxation — more than half of the total tax imposition in Canada. Furthermore, the income and capital gains approach requires at the very least a re-examination of estate and gift taxation.

We have, however, welcomed the federal commitment that Canadians at lower income levels should pay less tax while those at higher income levels pay more tax, relative to their individual capacity. But we are very disturbed that, in fact, the White Paper provides proportionately greater relief for the wealthy as individuals than for the poor.

Furthermore, there is far too much emphasis and concern for dollars and far too little meaningful concern for people. Contrary to the recommendations of the Carter Commission, the federal proposals are more concerned to tax according to <u>how</u> money is earned rather than according to <u>how much.</u> This is <u>not</u> in accord with "ability to pay" as a principle, with the result that special privileges remain — indeed are extended — for some industries and for the wealthiest people in the community.

For individuals, the proposals do <u>not</u> meaningfully redistribute income beyond the present structure. The biggest saving for a low-income person is $127 for a married man with two children and $4000 a year. But if you were to earn over $50,000 — there are actually provisions for <u>reduction</u> in tax. At $100,000 the reduction is $5,423 — at $400,000 the reduction is $27,000. This is <u>not</u> much support for the concept of taxation based on "ability to pay".

Exemptions are the wrong way to give relief to the lower-income earner, and the proposed exemptions are of minimal value in amount. The use of exemptions offers far less practical and selective aid than would the use tax credits. Exemptions, however they may be refined — and thereby made more complex — are essentially shot-gun approaches to tax relief — by and large they favour those taxpayers who require no relief as much as or more than they favour the truly entitled lower income beneficiaries.

Tax credits, on the other hand, can be aimed far more precisely and with far fewer complexities to give relief where it is needed and where public policy intends it to go. The result is more proportionate relief where it matters and far less expense to the public in the process. While the federal government has countered our arguments in this regard by claiming that exemptions are possible to apply selectively — with much complication in the process — these arguments do not convince us.

Tax credits give a very different weighting to relief between two obviously different sets of economic circumstance. For a man with poor income — tax forgiveness is a vital thing in proportion to his means. For a wealthy man, tax relief is simply an addition to his advantage — and bears no relation to entitlement by virtue of need.

And that is the basic difference we see between the exemption and credit approaches. The first generally dispenses relief whether justified by need or not — the second puts the relief where it is truly needed and thereby, where equity truly demands relief.

Certainly the size of the exemptions offered in the federal proposals is totally unrepresentative of the sharp rise in living costs in recent years.

The Government of Manitoba has found it inexplicable that actual advantage should accrue to the wealthy from the federal proposals for tax reform. Yet this is the case for those at high incomes because of the ceiling on the marginal rate of tax to which incomes would be subject. If there is not a substantial element of capital gains in the particular income situations, many earning high incomes through non-capital returns of one kind or another would actually enjoy very substantial tax reductions under the reform proposals. This seems to be in complete conflict with the avowed intention of creating a better equity based on ability to pay — that is, shifting the tax load from those with obvious incapacity to those with obvious capacity.

Attempts at increasing the capacity of low-income taxpayers and in ending the discrimination against other taxpayers under the present structure are to be found in the proposals to provide employment expense deductions for the average citizen and child-care expenses for working mothers. However, the obvious inadequacy of both provisions of the tax reform proposals presented by the federal government has drawn strong and specific criticism from the Manitoba Government. There is no equity at all, in our view, in a $150 employment expense limit for a working man when there is unlimited capacity for a business entrepreneur to charge off all of his expenses incurred in doing business.

In regard to the allowance for working mothers, not only is the amount inadequate but we do not believe that fair recognition has been given to the particular positions of many mothers carrying full responsibility for the upbringing of their children. In particular, we think of a mother whose husband is physically incapacitated. In such cases the wife must not only work — she must make often expensive arrangements for care of the home in these circumstances. The Manitoba Government advocates that some adequate research be done on the entire question of child-care and that the findings be reflected in a more effective provision in the tax system for meeting the needs of working mothers and others with child-care responsibilities beyond their reasonable capacity.

Viewing tax reform in its broadest and most realistic presentation, the Manitoba Government has emphasized the need to look at sales taxation and other forms of public revenue before final judgment can be given to the particular reforms of the income tax structure. This is not only a matter of equity but of simple common sense. In fact, unless sales and other non-progressive taxes are reformed in concert with income tax reform, their regressive drag on the economy increases. Indeed, the favoured treatment of the wealthy in the federal proposals already sets a further regressive thrust to Canadian taxation. To leave sales taxes untouched compounds this. Over half of the total tax imposition in Canada is not covered in the White Paper.

The Manitoba Government advances the general premise that tax reform is not a once-and-for all proposition, but rather should be a continuing responsibility of Governments. Therefore, it is not necessary to <u>put into practice</u> in one year or in one 5-year period all of the reform propositions. We advocate <u>consideration of all objectives now</u> with action as feasible. The tax structure should be kept in the perspective of a supporting instrumentality and not be an end in itself. As the social and economic requirements of the people alter, so also should the tax structure be altered to serve these needs better. Therefore, the Manitoba Government would argue against an overly intricate attempt to do everything at once.

While we do not suggest that the tax proposals of the federal government attempt to do everything at once — indeed we feel that many things were left undone which ought to have been attempted — we think there has been an unnecessary complexity in approach even in the segments of reform which have been given to us. For example, the Manitoba Government does not believe that the taxation of unrealized capital gains is a practical proposition. At the same time, the Government of Manitoba forcefully and firmly advocates the taxation of capital gains. It is our view that the hitherto undeserved protection from taxation of this form of income must be terminated. The White Paper proposals, however, create a kind of discrimination in respect of capital gains taxation which the Government of Manitoba finds unacceptable.

By providing a more favourable capital gains tax position for widely-held Canadian comapnies — 50% rather than 100% tax liability for capital gains — the proposals would inevitably discriminate against closely-held corporations — many of which would be small and innovating companies with high potential of public good for the economy. In other words, the proposition would seem to perpetuate and, indeed, enhance the monopoly position of many corporations by favouring an alleged advantage to Canada in the widely-held distribution of shares in certain enterprises.

A close examination of these corporate entities usually reveals that the "Canadianization" is more apparent than real. Furthermore, discrimination would exist even between two large corporations in the same business, such as, for example, Eaton's on the one hand and Simpsons—Sears on the other. This cannot be justified by the practical operations of the two entities. Other examples could be developed without much difficulty by casual reference to the major enterprises operating today in Canada.

Furthermore, the Government of Manitoba does not believe that the approach to capital gains taxation which the White Paper has taken will, in fact, enhance the attraction of Canadian investment for Canadians, as claimed. Indeed, what might well happen to closed corporations, forced to find the money to pay the double rate of capital gains taxation on valuation dates, is that they would find themselves exposed to foreign take-overs even more than is the case at present. The availability of cash at particular times — if the 5-year valuation proposition is advanced — makes it inevitable that whoever has the cash or access to it, will have the advantage of acquiring control of many Canadian enterprises. Since many of the affected enterprises are among the most productive in the development of new economic potential, the attraction for take-over is even greater.

Our main contention with the proposals for taxation of capital gains is that they are discriminatory and incomplete and the valuation method proposed is impractical.

All sources of income should be subject to reasonable tax treatment. On that we agree with the federal approach completely. The Carter Commission established a sound principle. It should be firmly applied. Loopholes in the existing tax structure which have often allowed some to evade their just contribution to social costs should be closed once and for all. The cost to Canadians of providing privileges to the few which must be paid for by higher taxation of the many is far too high and must be ended.

In the matter of estate taxation, the Manitoba Government contends that the tax reform proposals of the federal government now necessitate a review of the previous estate tax measures advanced by the Government of Canada. When incomes and assets are so materially affected, it seems only reasonable that the entire structure of taxation affecting these elements should be examined. We are particularly concerned that estate taxation not be viewed solely as an instrument for the raising of revenue. Capital gains taxation is not a substitute for estate taxation.

The Government of Manitoba has specifically advocated in its contributions to Constitutional review and in its approach to the consideration of tax reform, that both corporation and estate taxation should be administered exclusively by the federal government in order to ensure equity across the nation and to provide for the most effective application of taxation in these highly variable fields of endeavour and wealth accumulation.

In regard to small business, the Manitoba Government's position is that more adequate consideration must be given to a business which is productive, regardless of its size. Firms which operate in the short and the long-run in clear compatibility with the public interest must be given the support of equitable treatment — not only in tax terms, but in other aspects of public policy. Size alone is not a sufficient measure of capacity or productivity potential. A tax structure which applies indiscriminately to all enterprise, in fact, has the potential for great discrimination to the disadvantage of enterprise which is most likely to serve the public through the development of new techniques and through the creation of genuine alternatives to existing monopoly practices. The Manitoba Government has, therefore, advocated that taxation of corporations in particular should be developed along progressive lines commensurate with the practical needs for an integration of corporate and personal income for tax purposes.

We have advocated the approach which the Carter Commission took, rather than that which the federal government now proposes, in applying taxation to small enterprise. That is, we would advocate giving an enterprise a certain number of years from its inception to demonstrate its capacity. In that period of time, either tax credit or tax deferral could be provided, with or without interest as the circumstances indicated, so that a small, developing enterprise could have an opportunity to re-invest its earnings productively. At the same time, the people of Canada would not be deprived of a rightful share in the profit of such enterprise. After all, industry can only operate effectively in a social and economic community with adequate services and skills and facilities. These are public sector contributions. The people thus contribute to profits — they should share in profits.

Two other points on business taxation are: first, that we hold unlimited advertising expenditures offset against tax liability to be a major inequity and an economic weakness which the White Paper ignores; secondly, capital cost allowances must be fully re-examined before setting any final corporate tax policy.

With regard to farm enterprise, the Manitoba Government contends that all too little recognition is apparent in tax proposals by the federal government of the special nature and risks involved for those operating our basic agricultural industries. No fair recognition has been given to the degree that the family unit is directly responsible for such enterprise. Furthermore, farm capital supply simply cannot be treated as identical with industrial corporate capital. It is neither as easily transferable, nor is it generally replaceable where land is involved, for example.

The attitude of the Manitoba Government on the federal treatment of farm capital in many ways carries forward to the question of personal capital in the form of housing. We consider that the federal proposals strain unduly to equate the ownership of the home with the ownership of any other capital asset. We hold this view quite apart from our general rejection of the valuation concepts advanced in the federal proposals.

We support the objective of making resource development in Canada more responsive to the particular needs of Canadian communities and citizens. This is not a passing comment. We seek tax proposals aimed to achieve greater responsibility to the community for enterprise deriving its main profits from the resources which belong to the people. The first major resource taxation concept to be questioned is that involved in depletion allowances. Why, for example, should only the private investor be compensated for depletion of resources and not the people and communities to whom the resources belong? Far greater concern should be given to the workers and communities who come to depend on the resource industries for their opportunities. It is they who will be the real losers through the depletion of natural resources. If firms continue to receive depletion allowances in any form, it is essential that such compensation be shared with workers and dependent communities.

When you add to this consideration recognition of the very heavy capital and operating expenditures which the public sector must make in support of resource development, it is even more unreasonable to suggest that the risks are all on the part of the private entrepreneur.

While the Manitoba Government endorses the proposition that whatever tax allowances or deductions are permitted to entrepreneurs in the resource industries should be earned, we believe nonetheless that the proposition of depletion allowances, per se, should be re-examined in the light of our basic concept that the resources being depleted belong not to the companies, but to the people of Canada.

The public interest is basic in our approach to tax reform. One of the major concerns we have is that the federal approach involves the preservation — indeed the emphasis — of favour for equity investments over debt financing. This puts the social capital needs even lower down the priority scale in the money markets than now — and this can only mean more difficulty for local and provincial governments in meeting their responsibilities for social services and development generally.

The federal government must answer the fundamental question of how the provinces and municipalities are to provide for social and economic development from a reduced proportionate share of the main tax bases. Fair and equitable sharing of the major pool of tax resources in the country need not mean an alienation of federal taxing power. The federal government can and should employ taxation as a means of ensuring economic stability and as a basis for the equitable redistribution of the nation's wealth. Tax reform, shared programme responsibility, fiscal sharing and the elimination of regional social and economic disparities all require a logically integrated approach.

The Manitoba Government has specifically stated that the Government of Canada should draw to itself a greater proportion of general revenues in order that it may have an improved capacity for the direct support of social and economic development in response to the needs of the people of Canada. We have no objection at all to the result of tax reform. However, the federal tax reform proposals clearly reduce the provincial share of basic personal income taxes. The provinces today share 28% of the basic federal-provincial personal income tax dollar. Under the new federal proposals we would share only 21.9% of every new basic personal income tax dollar. That represents a reduction of about 25% in the basic provincial share. In addition, it is proposed that the present provincial share of approximately 50% of corporation income tax from small business will be reduced to 20%.

While we are fully prepared to see a strengthening of the federal revenue capacity for direct participation with the provinces in social and economic development, we are not prepared to abandon what strength we now have before we have adequate pledges from the federal government for effective support. We must also be assured that the tax reform proposals will not reduce the proportionate provincial share of future equalization revenues even as the share of basic tax revenues appears to be reduced under the proposals. Certainly, we must have assurance that tax reform will lead to a better balance in Canadian development — and not further widening of disparities. A tax formula which suits the wealthy provinces is not likely to serve the interests of Canadians in the less developed regions.

We had become gravely concerned about the growing negativism towards the principle of tax reform itself. We are hopeful that a sense of justice and reason will be increasingly re-asserted. Arguments as to method and formula should not delay and block equitable tax reform. We will have no part in any such endeavour. We will support the Government of Canada as long as it holds to a course which can provide an equitable tax structure for all Canadians.

We have long supported the propositions that Canadians should have first opportunity to develop their country and, naturally, first opportunity to share in the returns of progress. However, Canadian society is, and should remain, an open society capable of welcoming needed people and investment. This can be done within the framework of an equitable tax structure. Fiscal equity and a fair expectation of adequate return on effort and investment need not be in conflict.

The Government of Manitoba views responsible discussion of the tax reform proposals as part of a broader advance toward this more effective federal-provincial response to the requirements for development of social and economic balance and justice in Canada.

APPENDIX E

Statement by The Honourable E. Schreyer on
Priority Option Grants at the
Constitutional Conference
Third Meeting December, 1969
Ottawa

Honourable E. Schreyer: Mr. Prime Minister, I would hope we can come up with some approach that would represent a happy medium as between the one extreme whereby the Federal Government puts forward a particular programme and indicates that it would provide revenues, cost sharing, and insisting if the province did not accept it there would be no fiscal equivalent payable. That could be an extreme position.

And the other extreme position which is to allow indiscriminate option to all the provinces to simply opt out of any programme that the Federal Government wishes to put forward using its special power which is believed to be in the national interest and giving fiscal equivalents to any province indiscriminately that wishes to opt out.

I would hope there is some happy medium and with this in mind and with your permission, sir, I would like to read a position paper, if I might.

Mr. Prime Minister: the June 1969 Constitutional Conference, "Agreed that the Parliament of Canada should continue to have the power to make conditional grants to provincial governments, providing there is a satisfactory formula for determining a national consensus in favour of particular programmes, and provided there is a satisfactory formula for compensation in non-participating provinces".

It is within this context that I wish to discuss the spending power.

The Government of Manitoba believes that this Conference must continually keep in mind that it is our task to meet an obligation to individual Canadians. Therefore, we urge that objectives or tasks and the power needed to realize them should be allocated to the federal and provincial governments not on the basis of which has the fiscal or economic capacity for a task but rather on the basis of which level of government is best equipped to deliver the service in question most effectively to the individual citizen.

And I submit that several conclusions flow from this premise. I would emphasize this because I believe I was misunderstood on this point yesterday by Monsieur Bertrand. Firstly, it is wrong to insist that there must be uniformity in the relationship between the central government and the provinces in all matters. The practical tasks involved in achieving a common goal will vary from region to region and thus the level of government best suited to complete the task may similarly vary. Priorities in programmes designed to achieve the common objective may vary from region to region. For example, some regions at any given time will have advanced further towards the achievement of a common goal than others.

On this basis, the Government of Manitoba believes that it is reasonable, and wholly in keeping with the objective of allocating power to the level of government best able to provide service, that it should be constitutionally possible to delegate the exercise of responsibility and power between levels of government. After all, the constitutional objectives are the important obligations to people that governments accept. The governments must exercise their full capacities in co-operation to ensure that these obligations are met effectively. Therefore, delegation should be possible in all cases when such an action would best support expressed constitutional objectives.

Using the same basic criterion of effective delivery of services, the taxing power must be employed in a manner to ensure that each jurisdiction has the money to carry out its assigned responsibilities. This means that the Federal Government must <u>control</u> the major tax fields because only the Federal Government can effectively employ taxation as a means of equitably redistributing the wealth of the nation. Spending powers, too, should be related to this practical distribution of responsibilities for tasks in meeting the objectives of the country and all its regions. To the provinces should go the particular spending powers which relate to the tasks assigned to them under the present Constitution. To the Federal Government must go the spending power necessary to meet its assigned obligations <u>plus</u> the unlimited spending authority required to fullfil federal obligations when matters of national interest are involved. This right to spend in the national interest is a reserve of power that any truly effective national government must possess.

In short, the Government of Manitoba believes that, even given the sort of distribution of power we advocate, together with the supporting distribution of taxing and spending power and the delegation power we have outlined, there remains the need to provide for national initiative in primarily provincial fields, where delegation is not acceptable to one or both parties.

In recent years, shared-cost programmes have helped to meet, however inadequately, the several criteria of flexibility, equity and regional balance just outlined.

Here I get to the gist of it, Mr. Prime Minister.

However, there have been many problems associated with shared-cost programmes. The Federal Government had great difficulty in planning its budget because it had very little control over the rate of increase of costs in some programmes which it was financing jointly with provincial governments. The provinces on the other hand felt that federal initiatives were often taken without adequate consultation with the result that provincial spending priorities were distorted. I believe this is the point that my colleague from Nova Scotia has made.

Moreover, it was within the power of the Federal Government to cut a programme on its own, once it was underway. This left the provinces which it had drawn into the programme to deal with the total burden of costs.

In recent years when withdrawing from shared-cost programmes, the Federal Government has sometimes offered the provinces fiscal equivalents. But for many provinces, because their tax base is too narrow or because the natural rate of growth of tax revenues has been too slow, this approach has been entirely unsatisfactory.

Therefore Manitoba proposes the use of a system of Priority Option Grants as a means of overcoming these difficulties while maintaining the federal power to spend in the national interest. It is assumed that the Federal Government would be prepared to leave some option of choice to the provincial governments in reaching national programme objectives where primarily provincial functions are involved, and that at any given time there should exist a range of such possible programme initiatives all with approximately equal priority, in the Federal Government's sense of national priorities.

The programmes need not be similar in kind or, indeed, in regional application. In fact, the Priority Option Grant concept we suggest might very well apply in cases of different regional needs for national initiative. The Agricultural Rural Development Act offers, although in a narrower context, some precedent to go by.

To be more specific: assume that the Federal Government has decided that, in fields of essentially provincial responsibility, it has identified national interests requiring federal action on (and these are merely examples) special university course support in the sciences and technologies, or a regional highway feeder system to complement the Trans-Canada highway system, or a specific set of community and individual mental health services complementing the medical care service now in force.

And I repeat, Mr. Prime Minister, I am not necessarily advocating any of these specific programmes; I merely use them as illustrations.

Having determined upon the programmes and their probable cost through consultation with the provinces, the Federal Government would decide upon the total budgetary commitment it would be willing to make to the several programmes on an annual basis.

It would then make available to each of the provinces, subject to conditions to be outlined below, allocations of that total budgetary commitment. The proportion could be determined by either allocation according to an equitable equalization programme or according to programme requirements. There are ample precedents for working out such allocations.

The Technical Vocational Assistance Programme being one or the Trans-Canada Highway Programme being another and the Health Resources Fund is a third.

The conditions under which the grants could be obtained by the provinces would be very simple. The respective provincial governments would, through bilateral agreements with the Federal Government select programmes with the conditions I have added. The provincial government would then make its selection from among the two or three options offered by the Federal Government. The provincial government would in fact select a programme and a time table which best meshed with their internally determined priorities, their own sense of priorities in the provincial context, but which fitted the federal priorities in the particular field.

General entitlement conditions could satisfy Parliament in much the same way as Parliament has been satisfied under so many of the shared-cost arrangements or other fiscal transfers relating to previous programmes in post-secondary education.

Variations on this theme of Priority Option Grants are obvious. A province might choose to apply to split its grant and undertake more than one of the available programmes. It might exercise its sense of priorities on each option. Instead of using all of the federal grants in one of the three programme areas, the provincial government may decide to split the grant among two optional groups of programme both of which would be within the options which the Federal Government would put forward as a group of national priorities, from which the province could choose.

It might be appropriate, for example, for a small province to decide to do just that, to split the Federal Government grant among two or three programme areas instead of utilizing the funds on one programme area.

Mr. Speaker, I beg to move, seconded by the Honourable the Minister of Labour, that Mr. Speaker do now leave the Chair and the House resolve itself into a Committee to consider of Ways and Means for raising of the Supply to be granted to Her Majesty.

MR. SPEAKER presented the motion.

MR. SPEAKER: The Honourable Leader of the Official Opposition.

MR. WEIR: Mr. Speaker, I move, seconded by the Member for Lakeside, that debate be adjourned.

MR. SPEAKER presented the motion and after a voice vote declared the motion carried.

MR. SPEAKER: The Honourable the House Leader.

MR. GREEN: Mr. Speaker, I move, seconded by the Honourable the Minister -- Mr. Speaker, if we could just delay proceedings for a few seconds while the speech of the Honourable Minister of Finance is distributed.

MR. SPEAKER: The Honourable House Leader.

MR. GREEN: Mr. Speaker, I move, seconded by the Honourable Minister of Labour, that the House do now adjourn.

MR. SPEAKER presented the motion and after a voice vote declared the motion carried and the House adjourned until 10:00 o'clock Friday morning.