THE LEGISLATIVE ASSEMBLY OF MANITOBA
8:00 o'clock, Thursday, March 21, 1974

MR. SPEAKER: The Honourable Minister of Finance. (Applause) The Honourable Member for Morris.

MR. JORGENSON: Mr. Speaker, on a point of order. I do think that there is a formal motion that is to be presented before the presentation of the Budget.

A MEMBER: It's been done both ways.

MR. CHERNIACK: Mr. Speaker, does the Honourable the Member for Morris allude to the Ways and Means motion as coming first? I'd be glad to accommodate him. I must say that I have never seen it done that way before but then I'm young and I'm willing to learn.

MR. JORGENSON: Well, Mr. Speaker, before the . . .

MR. CHERNIACK: But as long as I don't eliminate my opportunity to speak, I'll move it before, after or in the middle.

MR. SPEAKER: The Honourable Member for Morris.

MR. JORGENSON: Mr. Speaker, I am not attempting to eliminate the possibility of the Minister presenting his Budget. I am simply attempting to make sure that the formalities are observed.

MR. SPEAKER: Order please. On the point of order. I think it has been customary usually to make the presentation and then make a motion saying this is why. I believe that's what we've done in the past.

A MEMBER: We've done it both ways.

MR. CHERNIACK: Sorry.

MR. JORGENSON: The motion must come first. It's the way the Minister can make the presentation.

BUDGET PRESENTATION

MR. CHERNIACK: Mr. Speaker, I have been here for a fair amount of time. I follow precedent which is more recent and that is that the motion comes at the end. So I intend to speak first.

Mr. Speaker, four and a half years ago, I had the privilege of presenting our government's first budget to this Assembly. That budget began a process of economic and fiscal reform which helped the people of Manitoba realize unparalleled returns from our province's development in the years that followed.

In June of 1969, the citizens of this province entrusted the New Democratic Party with the responsibility of bringing a new kind of government to Manitoba - a government fully committed to working for real political, social and economic equality for the average wage-earner, the old-age pensioner, the widow with small children, the local businessman, the farmer, and the residents of the north.

The people of Manitoba wanted a government that would not be afraid to challenge the status quo and to implement basic reforms - even though such reforms would be unpopular with the wealthy and the influential, and were certain to be opposed by those with a vested interest in preventing change.

Last June, Manitobans reaffirmed their support for our policies of social and economic justice, and gave our government a renewed mandate to pursue our program of reform - by an increased majority and popular vote.

Our budget for 1974/75 fiscal year has been formulated in the context of this mandate. It is a budget which relates new program initiatives and taxation reforms to the requirements of our citizens for new and improved services - and to their ability to pay for these services - not to abstract theories about the appropriate size of the public sector, or the desirability of "incentives" for a small number of wealthy individuals or corporations.

Our government is proud of the substantial progress achieved by the people of Manitoba in the last few years, but freely recognizes that greater efforts will be necessary in the future, to rectify many inequities which still characterize our society. The new policy directions which our government has already introduced will ensure a firm foundation upon which to base these efforts. The budgetary proposals I will place before the House tonight will build on this foundation and strengthen it.

In 1973, our economy expanded at a pace which outdistanced even our most optimistic forecasts. Although the data are not yet complete, virtually every indicator thus far suggests that 1973 was a "Boom Year" in the truest sense.

(MR. CHERNIACK cont'd)

We now estimate that the total value of goods and services produced in Manitoba in 1973 reached an all-time high of close to $5.2 billion - an increase of some 15.4 percent over the total recorded in 1972. When the effects of inflation are netted out, it appears that the real growth in our economy's output last year was at least 8.5 percent compared to 7.1 percent for Canada as a whole.

Manitoba's gross provincial product in 1973 was nearly 50 percent greater than total the output in the year we took office. For the third year in a row, growth in production in our province has exceeded the national rate - both in current and in constant dollars.

For the record, and for those who lay great stress on statistics, I feel I should also list the year-over-year percentage increases in some of the major sectors of the Manitoba economy between 1972 and 1973:

Total personal income - up over 14 percent.

Personal income per capita - up over 14 percent.

"After Tax" income per capita - up over 14 percent.

Value of agricultural output - up nearly 90 percent.

Value of mineral resource output - up about 30 percent.

Value of manufacturing shipments - up more than 20 percent.

Total retail trade - up around 14 percent.

New capital investment - up about 16 percent.

These are but a few of the areas where new records have been set. There are more and a detailed set of economic statistics will be appended to the text of this address.

We believe, of course, that individual growth measurements should not be regarded in isolation as self-evident indicators of economic advancement. It cannot be assumed automatically that favourable aggregate statistics mean that everyone in our province has benefitted equitably from the gains which have been recorded. But, no one can deny our progress toward that goal.

Despite nation-wide problems, it is clear that our economy is growing increasingly stronger and more balanced.

Although we should not ignore the impact of national inflationary pressures, we must also recognize Manitoba's gains compared to other regions in Canada. Our jobless totals and the rate of increase in prices have remained well below the national average. During 1973, a year in which net out migration dropped, our province's average unemployment rate - 3.9 percent was the second lowest of any province in Canada, and was well below the national average of 5.6 percent. Similarly, the increase in the "All Items" consumer price index for Winnipeg from December, 1972 to December, 1973 was the second lowest recorded for any major city in Canada.

Well inflation and unemployment are national problems. This is obvious from the statistics I referred to earlier. It is also clear that some of Canada's cost of living difficulties reflect trends in the United States and elsewhere.

If full employment and a reasonable degree of price stability are to be achieved throughout this country in the foreseeable future, major new initiatives will be required at the federal level. Without such initiatives by the federal government, all any single province can do is try to offset the negative impact of rising prices and high levels of unemployment, as best it can, within the limits of its jurisdictional authority and its fiscal ability.

Although Manitoba's budgetary capacity is comparatively small, our government has done much in the past few years to deal with inflation and unemployment. In fact, we have probably done significantly more, in relation to our size, than any other province in Canada - for example:

The elimination of Health Insurance premiums, giving families a tax cut worth $200 a year;

Our Property Tax Credit Program, with benefits up to another $200 a year;

Our new $200 guaranteed minimum monthly income for those over 65;

The provision of insured nursing home care;

The pharmacare program for the elderly;

The drug substitution program to hold down or reduce prescription drug costs; and

Our massive efforts to provide low-cost housing for those who need it.

(MR. CHERNIACK cont'd)

We have also implemented a number of major new employment and training programs, including :

The Provincial Employment Program, encompassing Pensioners' Home Repairs, plus Special Community, Northern and Native Employment Measures;

The Student Temporary Employment Program;

Special Municipal Loans;

Accelerated capital projects;

The Northern Manpower Corps;

The New Careers Program; and

Various work activity projects.

The positive results of all these measures are evident in the rapid increases in per capita disposable income and the relatively low unemployment figures to which I referred earlier.

It is critically important that our government sustain and strengthen these expansionary policy thrusts.

And attached, as an appendix to tonight's budget, will be a statement I made two months ago at a Federal-Provincial Conference of Finance Ministers in Ottawa, in which I expressed serious concern about the possible impact of current economic pressures on our citizens.

I suggested that the Federal Government consider the effectiveness of the fiscal and economic policy measures introduced in Manitoba in the past few years and adopt similar initiatives on a Canada-wide basis.

I also pointed out the recent dramatic increases in corporate profits in this country in relation to increases in the cost of living. Between 1972 and 1973, the rate of growth in corporation profits before taxes was the highest in some 25 years, roughly 37 percent - following increases of 21 percent and 16 percent in the two previous years.

These increases account for a substantial portion of the inflationary pressures in Canada today. And yet, the Federal Government is continuing to reduce corporate taxes every year on a regular schedule which started in 1972. We estimate that current corporate tax advantages total about $2 billion a year in this country.

MR. McKENZIE: Why doesn't Lewis quit going to bed with Trudeau?

MR. CHERNIACK: The honourable member - I interrupt my speech to recognize that the honourable member seems to have one important thing on his mind. I'll leave it on his mind.

In addition, Mr. Speaker, I called for early implementation of a properly-designed and enforced combines policy to end profiteering, as well as for some form of increased tax on profits resulting from monopolistic practices. This would hold down prices and ensure that the corporate sector of the economy would begin to bear a fair share of the cost of financing public services in Canada. I also joined other provincial finance ministers in requesting an immediate inquiry into oil company prices and profits.

In recent years, our government has advocated selective controls as a means of dealing with inflation, along with subsidization where necessary. This type of approach should include adequate home mortgage funds at reasonable interest rates, and extension of the two-price system now in effect for oil to some other primary products. There is an obvious need, as well, for the Federal Government to take effective steps to regulate advertising and packaging because of their influence on prices in general, and on food prices in particular.

Mr. Speaker, although there is still over a week remaining before the end of the 1973-74 fiscal year , and approximately a month left until the accounts are closed formally, it is now clear that the government will end the year with a substantial revenue surplus.

It appears that approximately $32 million of the total surplus will represent recent, and yet-to-be confirmed recalculations by the Federal Government in respect of certain transfer payments - including at least $25 million in equalization adjustments for the current and previous years. The balance of the surplus will be a direct result of the buoyancy of our province's economy in the past year.

Under the authority provided by the Financial Administration Act, an amount of $32.5 million from the surplus will be carried forward and included with current revenues for the 1974/75 fiscal year, as compared with a carry-forward of $42 million last year.

(MR. CHERNIACK cont'd)

In addition, surplus funds will be used to develop a special multi-purpose housing program, whose primary objectives are:

To assist in the assembly of land for housing in major urban areas and larger rural communities;

To enable the Manitoba Housing and Renewal Corporation to service land for residential and related purposes; and

To provide mortgage financing for new and existing housing in smaller rural and remote communities, which are unserviced or partially-serviced, and in which the CMHC will not provide loan funds.

I am happy to announce that $20 million from the 1973/74 surplus will be allocated to a newly-created land servicing and home mortage fund for this purpose. Further details will be made available by the Minister responsible for the Housing and Renewal Corporation.

Any residual surplus revenues will be set aside as a contingency reserve in accordance with the Special Loans and General Emergency Fund Act.

Mr. Speaker, the members of this Assembly have already begun to consider our government's main expenditure proposals for the fiscal period beginning April 1, 1974.

Since most program plans have not been reviewed in detail, I wish to draw attention to some of the major initiatives in the main estimates, including:

New and expanded stay-option programs for agricultural producers;

Additional funds for expanded legal aid services;

Further support for universities to keep tuition costs down;

Increased assistance on an equalized basis for local school divisions and their taxpayers, including a reduction in the foundation levy on farm and residential property to 3 mills; and

A continuation of our highly-successful property tax credit program, which will cost $42 million in 1974/75

MR. BILTON: What about public debt?

MR. CHERNIACK: In the past - the Honourable Member for Swan River is interested, and he will hear if he is patient.

MR. SCHREYER: You have to find something negative all the time.

MR. CHERNIACK: In the past few months, we have been able to secure the first detailed statistics concerning the operation of the Property Tax Credit Program in its first year, when it applied only to school taxes. These date have been summarized in a technical paper as an appendix to my address.

They reveal that about 2 out of 5, or 40 percent, of homeowners and tenants in our province had their 1972 school taxes completely offset by their 1972 tax credits. (Applause) Nearly half of those Manitobans who received credits either obtained benefits of $140. 00 or had the full amount of their school taxes erased.

A MEMBER: This year too. Next year too.

MR. PAULLEY: It's always before an election, Jim.

MR. CHERNIACK: About 84 percent of pensioners, some 62 percent of farmers who claimed credits received maximum benefits of $140 or had their entire school property tax burdens offset.

Of course, higher credit benefits of up to $200 in 1973 and 1974 are providing even greater school and general property tax relief.

Last year, Manitoba became the first province in Canada to provide direct income tax revenue sharing for municipalities. The amount of the revenue sharing grants was set at five percent of income taxes at current rates in the fiscal year ending in the year for which the grants apply.

Under this formula, the 1974 interim grant payments to municipalities will be $10. 61 per capita. In 1975, we estimate that the interim payments to municipalities will be about $12. 60 per capita, subject to an adjustment for the previous year based on actual revenue totals.

And in additon to these increased unconditional grants for municipalities, the estimates tabled in February also contain an allowance of some $1. 8 million for special experimental urban transit projects such as: Dial-a-Bus, electrically-operated vehicles, and heated bus shelters.

(MR. CHERNIACK cont'd)

The Health and Social Development Estimates provide for our government's plan to "Index" social allowance benefits in line with increases in the cost of living - a basic reform in our income security system.

We have recently announced the agreement between our government and the Government of Canada with respect to the joint guaranteed annual income experiment to be carried out in Manitoba during the next few years. The project will cost about $17 million, of which the Federal Government will pay 75 percent. It is now acknowledged that our experimental program is perhaps the best-designed of any yet undertaken in North America. The "Mincome Manitoba" experiment will make possible the evaluation of a number of income support and work incentive alternatives, and will also provide valuable insights into the impact of both federal and provincial fiscal policies, including our current system of taxation. The estimates provide $4 million for the experiment in 1974/75.

At the conclusion of my address tonight, I will table the Government's estimates of current revenues for the fiscal year commencing April 1, 1974.

As members are aware, the energy situation has led to a degree of uncertainty throughout Canada. No decision has yet been made with respect to oil and natural gas prices for the period following March 31. In addition, no decision has been made as to the allocation of any increased returns from higher prices later in 1974. And, perhaps most important of all from the standpoint of our budgetary position, no decision has been made concerning the treatment under the national equalization formula of any increased returns which producing provinces may realize in the coming year and those which follow.

Another area of concern relates to our income tax collection arrangements with the Federal Government. Recent federal income tax changes have reduced provincial revenues substantially - so much so that Ottawa has agreed to compensate us for a portion of these losses up to the end of 1976 and this explains the "Income Tax Revenue Guarantee" item in the fiscal arrangements section of the estimates.

Unfortunately, the federal compensation arrangements will not cover the very serious revenue shortfalls resulting from the new system of "indexing" income tax exemptions and tax brackets which started on January 1st of this year. For those members who were not aware of it, Manitoba's personal income taxes are now also being reduced under this indexing system.

We expect indexing will reduce our potential revenues from progressive income taxes by $9 million in 1974/75 alone, and by $100 million in total between now and 1977/78. At the finance ministers' conference in January, I said that our government feels this is too high a price to pay for a tax change which produces grossly unfair results. Because the indexing plan is based on exemptions instead of credits, it favours the rich and almost completely disregards the effects of inflation on those with low and fixed incomes.

MR. BILTON: Where are the rich?

MR. PAULLEY: Right there. Well, there's their representatives over there, there's no doubt about that. Oh, there he stands, there's the cheap one.

MR. CHERNIACK: In view of the magnitude of the revenue losses now facing us - and the resulting negative implications of these losses for our own tax reform plans - we have asked the Federal Government to consider adopting a realistic compensation scheme or some other arrangement whereby provinces that feel indexing is inequitable could replace it with a different system, such as a tax credit plan, to help offset the effects of inflation on the real incomes of their taxpayers.

Despite our concerns about these problems, our government plans no personal tax increases in the coming year. Certain changes will be proposed, however, to improve the overall equity of our revenue structure.

At present, our revenue tax act and some other tax statutes provide for vendors' commissions - in effect, a share of tax revenues - for those individuals or businesses which act as tax collectors on behalf of the government. Because of the methods used for calculating these commissions, some inequities have resulted - with a few large collectors receiving disproportionately high commissions in relation to collection costs.

MR. BILTON: You don't even pay the postage.

MR. CHERNIACK: Some years ago the Smith Report on Taxation in Ontario recommended the aboliton of these commissions in that province, and in 1972, the Ontario Government

(MR. CHERNIACK cont'd) . . . . adopted this recommendation eliminating all commissions and thereby increasing its revenues significantly. It is not our government's intention at present to recommend a complete abolition of vendors' commissions in Manitoba. Instead, we will propose new formulas under which all collectors of provincial taxes will continue to receive commissions, but on a more equitable basis.

The present revenue tax act commission formula permits vendors to retain 3 percent of tax collected under $200 for each remission period, and 2 percent of the balance. We propose to change this formula effective June 1 to permit the retention of a higher percentage, 5 percent of tax collected, on totals under $200; but a lower amount, 1 percent on the remainder. This change will give many small businesses increased commissions and will reduce the amount paid to certain large collectors.

I again, Mr. Speaker, interrupt my formal address to accept the congratulations which I believe are being offered by the Member for Swan River.

Details of changes in the commission rates under Other Tax Statues will be included in an appendix to the Budget.

Overall, these commission adjustments should result in yearly revenue increases for the government totalling about $1 million.

For a number of years, representatives of Manitoba's native people have called on the Province to remove the 5 percent sales tax from purchases on Reserves, or for use on Reserves, by Indians with treaty status, in line with practices in our neighbouring provinces of Saskatchewan and Ontario, and some other jurisdictions as well. Amendments to the Revenue Tax Act will be proposed in order to effect such exemptions for purchases of certain special categories of tangible personal property - excluding motor vehicles, alcoholic beverages, and assets acquired for resale or commercial purposes. Because of the need to establish a satisfactory system for administering this exemption, no date has yet been set for its implementation.

The present maximum exemption for restaurant meals under the sales tax is $1.99. Because of the increases in the costs of restaurant meals, we have decided that the exemption should be raised so that all meals under $3.00 will no longer be taxed.

I again depart from my text, Mr. Speaker, to point out that this change is not designed to assist particularly members of the Legislative Assembly.

This new higher exemption level will take effect on April 1st. The increase in the restaurant meal exemption will result in a yearly sales tax revenue loss of about one half million dollars.

In recent months, our government has completed an intensive study of the provincial Amusement Tax. In the course of this review, we identified a number of anomalies related to current exemption practices. We also considered various alternative methods of rectifying these inequities, including expansion of the tax base to cover many types of admission expenditures which are not presently taxable. In addition, we looked at the possibility of incorporating amusement taxes into our sales tax legislation, as Ontario has done. And, finally we noted that some other provinces - Saskatchewan, Quebec and Newfoundland - have transferred certain amusement tax powers to their municipalities.

After consideration we have concluded that collection and enforcement may well be left at the community level. Accordingly, the Provincial Government intends to discontinue its general 10 percent Admissions Tax on December 31, 1974.

If it appears that municipalities are desirous of increasing their revenues by adopting this tax, we are prepared to bring in the necessary enabling legislation, as well as to assist in an orderly transfer of taxing power and administration.

The Province will continue to levy the taxes at race tracks as well as certain specific fees under the Amusements Act.

Over a year ago, our government announced its willingness to provide municipalities with any help they might require in studying and implementing taxation measures designed to discourage land speculation. Specific reference was made to the possibility of adopting a levy on the enhanced value of land resulting from rezoning.

The apparent reluctance on the part of the City of Winnipeg representatives to follow up this suggestion was somewhat surprising to us, given their continuing concern about budgetary problems and the rising cost of housing.

(MR. CHERNIACK cont'd)

Our government wishes to repeat its offer of assistance to any municipality which may now want to consider applying such a tax, and if there remains little interest at the municipal level, the Province, which is presently studying this matter, may decide to enter this field itself in order to lessen further speculative profiteering.

SOME MEMBERS: Hear. Hear.

MR. CHERNIACK: Mr. Speaker, my colleague, the Minister of Mines, Resources and Environmental Management, has presented a major statement to this House on mineral resource policy. In his statement, he emphasized our government's determination to secure for the people of Manitoba a fairer share of the wealth derived from the extraction and processing of the natural resources which are their birthright under our Constitution.

The current situation with respect to energy has helped to make all Canadians aware of the urgent need for better management of our non-renewable resources and of the immense potential benefits which can result from a carefully-planned development policy. In the last year other provinces, such as Saskatchewan, Alberta and British Columbia, have taken important new steps to implement such policies and to utilize added returns to improve the quality of life of their citizens.

During our government's first term in office, we adopted several measures - including changes in royalties - to ensure that the people of Manitoba would gain greater advantage from their resources. This year, as my colleague has already announced, we propose to undertake a number of new initiatives designed to increase the benefits accruing to Manitobans.

Legislation will be introduced shortly to permit the implementation of a variable system of folumetric taxation related to a base price and price fluctuations. This system will help to make certain that, in the future, the people of Manitoba will retain an equitable proportion of the economic rent or the "super profits" inherent in our natural resources. At the same time, it will guarantee that mine operators will continue to realize a fair return on their investment. The legislation will permit specific tax rates to be established by authority of the Lieutenant-Governor in council as circumstances warrant.

Amendments will also be introduced to the Mining Royalty and Tax Act. Included among these amendments will be provision for similar rate-setting authority for the Lieutenant-Governor in Council in respect of Royalty Tax Levels, effective July 1. This will parallel current practices with respect to production from oil resources in Manitoba and other western provinces.

As a result of these changes and in light of the rising value of our minerals, mining taxation revenues are expected to total some $30 million in 1974/75. For the year now closing, we expect revenues from this source, at existing tax rates, to be about $15 million - $18 million.

In addition to these changes in mining taxation, our government will also take steps to prevent oil producers from profiting unduly from the current energy situation. We are now considering legislation which may be introduced in this session - depending on federal actions with respect to oil pricing and other matters.

Overall, it is expected that provincial revenues for the 1974/75 fiscal year will total some $834.5 million. It has already been noted that this amount includes an allowance of $32.5 million in respect of the anticipated revenue surplus in the current year, which will be carried forward.

Mr. Speaker, I have already referred briefly to the Main Expenditure Estimates for 1974/75 which are now before the Committee of Supply.

At the conclusion of my address tonight, I will also table Supplementary Estimates for the next fiscal year totalling some $35.8 million.

The Supplementary Estimates include an amount of $3.7 million to be allocated to the Manitoba Health Service Commission to cover the cost of the recently-negotiated increases in doctor's fees.

These estimates also provide for an additional $1 million for mineral exploration in 1974/75.

An allowance of $6.8 million has been included in the Supplementary Estimates to cover a portion of Manitoba's share of planned Current Expenditures in 1974/75 under a new general development agreement and sub-agreements which should be signed very soon

(MR. CHERNIACK cont'd) . . . . by our government and the federal Department of Regional Economic Expansion. Other funds are contained in the Main Estimates. The new agreements with DREE represent an important advance in the co-ordination of federal and provincial economic development efforts.

One sub-agreement, dealing with Agro-Manitoba, will include programs to improve livestock production, to establish agricultural services centres, to undertake land and water use studies as well as new conservation efforts, to provide general training, and to upgrade existing infrastructure.

A second sub-agreement, dealing with Manitoba's northlands, will encompass a variety of initiatives in the areas of manpower programming, cultural, recreational and youth services, infrastructure development and housing, as well as detailed general economic and community planning.

A third sub-agreement, dealing with industrial and commercial opportunities, will involve possible developments in transportation, forestry agricultural machinery, and steel production.

Provision has been made in the Supplementary Estimates for further assistance to urban areas as well. An additional amount of $3. 3 million will be made available under the Department of Highways Appropriation for:

An increase of over 70 percent in public transit grants to help offset operating deficits,
Increased contributions to the City of Winnipeg for Street Maintenance; and
Certain other purposes, including equipment acquisition.

Some urban transportation problems can be extremely complex, but a few main policy issues are clear - and common to every major city in the world. Decisions have to be made between more freeways and better public transit. The substantial new assistance for urban transit included in this Budget reflects our government's position on this question. We do not want to see Manitoba's cities split up - and whole neighbourhoods destroyed - by expensive and inefficient expressways, or "beltways", or "throughways". We intend to work with urban government representatives and planners to ensure that this does not happen.

The Supplementary Estimates also contain provision for three important new health and social development initiatives.

To augment funds of approximately $1 million already in the Main Estimates, an amount of $3 million has been included in the Supplementary totals to help finance a major new Day Care Program. Under this program, substantial income related subsidies will enable many families to take advantage of child care services on a regular basis. Start-up assistance will also be made available to individuals and groups wishing to provide day care. (Applause)

The Federal Government has now indicated it will help underwrite the cost of the new program. When final arrangements regarding federal financial participation are completed, more details of the program will be made available.

An amount of $2 million has been included in the Supplementary Estimates to launch a new province-wide ambulance service program. Under this program, our government will co-operate with municipalities and District Health Authorities in setting up co-ordinated ambulance services. The Province will share operating costs and certain initial capital costs, including improved communications equipment and vehicles where necessary.

A further sum of $2 million will be allocated to expand the Provincial Pharmacare Program to make it applicable to Manitobans, regardless of age.

The system of deductible amounts and provincial contributions which applies in respect of the Elderly Persons' Pharmacare Plan will be extended to the universal program.

More complete information on the New Ambulance Service and Pharmacare programs will be provided by the Minister of Health and Social Development at a later date.

Earlier in this address, I described our government's plans to guarantee that Manitobans will realize far greater benefits in the future from the development of their natural resources.

For 1974, additional revenues from mining royalties will finance an important new tax reduction to give further help to those who are suffering the greatest hardship as a result of inflation.

I am pleased to announce that our government will be introducing a new $14 million Cost-of-Living Tax Credit Program this year.

Our Cost-of-Living Credit System will operate in much the same way as our Property Tax Credit Plan, and will have the same basic objective - to ensure that the largest benefits

(MR. CHERNIACK cont'd) . . . . from the tax cut will be received by those in lower income ranges - the people who are most in need of real income protection at a time when prices are rising rapidly throughout Canada.

Under our new plan, maximum credit benefit levels will be established at 2 percent of a taxfiler's claim for personal income tax exemptions - thus, the more dependants, the larger the exemption claim, and the larger the potential credit.

Because personal exemptions are now indexed to grow at the same annual rate as the consumer price index, maximum cost-of-living tax credits will increase accordingly, year after year.

These maximum benefits will be reduced by one percent of taxable income to determine the taxfiler's annual credit entitlement - so, the greater the income, the lower the credit.

. . . . continued on next page

(MR. CHERNIACK Cont'd) . . . . . Members may be interested to know that the formula to be used for calculating Manitoba'a cost-of-living tax credits is very similar to the formula introduced by the Ontario Government last year when it implemented its sales tax credit program. The major difference is that our formula will provide maximum benefits which are twice as large as those now available under the Ontario plan. (Applause)

We feel it is appropriate to adopt this type of formula because we want our new credit plan to help reduce the impact of provincial sales taxes in an equitable way, consistent with the principle of ability-to-pay. (Applause)

Compared to other factors such as retail and wholesale mark-ups, the provincial sales tax has a limited impact on an average family's living costs - and virtually no effect at all on the prices charged for basic necessities such as food, which are exempt from tax. Still, it is true that the sales tax is less equitable than the income tax. And by relating our new cost-of-living tax credits to income and family size, we will be able to introduce a greater degree of equity in our overall tax structure, while ensuring greater purchasing power for many Manitobans.

For a family of four - a couple with two children under 16 - the maximum Manitoba cost-of-living tax credit for 1974 will be about $77.00. For a married couple, where one spouse claims the other as a dependant, the maximum credit will be approximately $64.00. For a single person, the maximum credit will be around $34.00.

Because elderly people are entitled to claim larger examptions for income tax purposes, their maximum cost-of-living tax credits will be correspondingly higher. For example, a married taxfiler aged 65 or over could receive up to $85.00 for 1974, while a single person over 65 could receive up to $55.00.

A detailed set of benefit estimates will be included with the material which is to be tabled at the end of my address.

The Manitoba cost-of-living tax credit plan will be administered by the Federal Government, alongside our property tax credit program, in conjunction with the income tax system. This means that cost-of-living credits will be claimed by filing an income tax return and a credit application - whether or not a claimant has any taxable income to report.

And so, Mr. Speaker, the combined main and supplementary estimates of current expenditure for 1974/75 total $834.4 million.

Altogether, our cost-of-living and property tax credits, plus the extra health insurance costs resulting from the premium cuts in 1969 and 1973, will account for nearly 15 percent of our current budget. Other measures designed to provide tax relief, such as our increased contributions to the Education Foundation program, account for another 5 percent or more.

In total, then, about 20 percent of our expenditures next year will go directly towards tax reduction measures - all of them designed to make our tax system more equitable. (Applause)

As was noted earlier, our current revenues for 1974/75 are estimated at $834.5 million. On the basis of these figures, our government is budgeting for a small surplus on current account for the coming year.

Mr. Speaker, as has already been announced, the capital supply bills for 1974/75 totals $699.3 million - up $395.8 million from last year's total authorization of $303.5 million.

At a time when supplies of non-renewable energy resources appear to be becoming scarce in many parts of the world, the government feels it is essential to proceed expeditiously with the large remaining hydro development sites on the Nelson River and related water systems in order to ensure a continuing adequate supply of low cost power for Manitobans.

MR. SCHREYER: Lower than any other place in Canada.

MR. CHERNIACK: I again depart from my text . . .

MR. SPEAKER: Order, please.

MR. CHERNIACK: . . . and invite honourable members to tell us which other jurisdictions on this continent pay less and will pay less than do Manitobans. (Applause)

Of the total authority required for 1974/75, Hydro's portion alone is increased by $380 million - thereby accounting for almost all of the year's increase in Capital Supply requested. At present, Hydro is using up most of its accumulated authority from previous years and, as a result, this large authorization is now required to cover advance commitments and contracts which must be entered into.

(MR. CHERNIACK Cont'd)

I'd like to draw special attention to the fact that the total debt charges to be paid out of the general revenue of the province . . .

I depart from my text again, Mr. Speaker, to point out to the Member for Swan River I'm just entering into the one paragraph he asked about earlier this evening. (Applause)

I would like to draw special attention to the fact that the total debt charges to be paid out of the general revenue of the province for the 1974/75 fiscal year are projected at just over $10 million.This is about 1 percent of the current government budget. A table, which will be included among the budget appendices, shows the relationship between debt charges in the budgets of the province since 1969. It will be observed that debt charges have not been a heavy proportion of our expenditure load and that they continue to remain at very low levels as against rising revenue and expenditures - despite increasing interest rates, with which all of us are only too familiar.

And in this connection, I want to make one special observation. As soon as the report of the Commission of Inquiry into the Churchill Forest Industries matter is completed, the government will be considering a restructuring of the capital position of that enterprise. It may well be that such a reorganization of the debt relationship between the Manitoba Development Corporation and Churchill Forest Industries will have some effect on the analysis which I have just provided, but our overall position will not be affected greatly. This will entail a bookkeeping adjustment, but since the monies involved have already been spent, no additional funding will be required.

Earlier this evening, I referred to the strongly-balanced economic base which has been developed and maintained in our province, despite certain national problems. This base has made it possible for our government to undertake the wide-ranging, expansionary fiscal policy measures for which provision has been made in this budget.

As I have already stated, our budgetary plans for 1974 include:

A new cost-of-living tax credit program, made possible by fairer returns from mineral resources;

A major new land servicing and home mortgage fund;

Important new economic and industrial expansion efforts throughout Manitoba - especially in rural areas and the north, under a general development agreement and sub-agreements with the federal government;

Substantially-increased conditional and unconditional assistance to municipalities, including aid for streets and urban transit, and access to additional "growth revenues" from amusement taxes;

A guaranteed miminum income for the elderly;

A broadly-based day care program;

A greatly-expanded pharmacare program;

A new ambulance service plan;

A larger sales tax exemption for restaurant meals, and sales tax exemptions for native people on reserves.

These measures, and others covered in our 1974-75 current and capital estimates will:

Help ensure a fairer distribution of our province's economic benefits;

Will introduce greater equity in our tax structure;

Will assist in the creation of new employment opportunities; and

Provide significant relief from pressures of inflation.

This is a budget of accomplishment and of promise.

The citizens of Manitoba confirmed last June that they aspire to greater economic and social equality and that they want their government to do all it can to meet the challenges implicit in these goals. Our budget tonight reaffirms our determination to fulfill this mandate.

We believe this budget, and those which follow it in the years ahead, will justify the confidence the people of our province have shown in the New Democratic Party. (Applause)

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

MOTION presented.

MR. SPEAKER: The Honourable Leader of the Opposition.

MR. SPIVAK: Mr. Speaker, I move, seconded by the Honourable Member for Riel, that debate be adjourned.

MOTION presented and carried.

MR. SPEAKER: The Honourable Minister of Finance.

MR. CHERNIACK: Mr. Speaker, I have a message from His Honour the Lieutenant-Governor.

MR. SPEAKER: The Lieutenant-Governor transmits to the Legislative Assembly of Manitoba, Estimates of further sums required for the services of the Province for the fiscal year ending March 31, 1975, and recommends these Estimates to the Legislative Assembly.

The Honourable House Leader.

MR. GREEN: Mr. Speaker, I take it that there would be no objection at this time if I . . . where is it?

MR. CHERNIACK: I don't have it. Jack?

MR. CLERK: I typed it myself.

MR. CHERNIACK: Give me some wording. Mr. Speaker, I have another motion to present.

A MEMBER: What motion?

MR. CHERNIACK: Some silly archaic . . .

MR. SPEAKER: Order, please. The Honourable Minister of Finance.

MR. CHERNIACK: Mr. Speaker, I beg to move, seconded by the Honourable the House Leader, that the message of His Honour the Lieutenant-Governor, together with the Estimates accompanying the same, be referred to the Committee of Supply.

MOTION presented and carried.

MR. SPEAKER: The Honourable House Leader.

MR. GREEN: Well, Mr. Speaker, I take it that the material is now going to be distributed to honourable members but there is no necessity, I take it, for me to wait with the adjournment motion.

Then I would move, Mr. Speaker, seconded by the . . .

MR. SPEAKER: The Honourable Member for Morris.

MR. JORGENSON: Mr. Speaker, since the business that has been introduced by the Minister of Finance is now concluded, I would presume that we move to Private Members' Hour.

MR. GREEN: Mr. Speaker, I asked whether honourable members would have objections, earlier when I got up, to the adjournment of the House, and I gathered that there was no objection.

MR. JORGENSON: Mr. Speaker, notwithstanding the sort of largesse that has been provided by the Minister of Finance, I think that honourable members on this side would like to proceed to Private Members' Hour which is the normal procedure at this time of the day.

MR. SPEAKER: Order, please. The Honourable House Leader.

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

MOTION presented and carried.

MR. JORGENSON: The Ayes and Nays, Mr. Speaker.

MR. SPEAKER: Call in the members. The motion before the House is that the House do now adjourn.

A STANDING VOTE was taken, the result being as follows:

YEAS

Messrs. Adam
Asper
Axworthy
Barrow
Bostrom
Boyce
Burtniak
Derewianchuk

Messrs. McBryde
Marion
Miller
Osland
Patrick
Patterson
Paulley
Pawley

(YEAS Cont'd) . . . . .

Messrs. Dillen
Doern
Evans
Gottfried
Green
Hanuschak
Jenkins
Johannson

Messrs. Petursson
Shafransky
Toupin
Turnbull
Uruski
Uskiw
Walding
Watt

NAYS

Messrs. Banman
Bilton
Blake
Brown
Craik
Einarson
Ferguson
Henderson

Messrs. F. Johnston
Jorgenson
McGill
McKellar
McKenzie
Minaker
Sherman
Spivak

MR. CLERK: Yeas 32, Nays 16.

MR. SPEAKER: In my opinion the ayes have it. I declare the motion carried.

The House is accordingly adjourned and stands adjourned until 10 a.m. tomorrow morning. (Friday)

1974 MANITOBA BUDGET ADDRESS

A P P E N D I C E S

APPENDIX A - ECONOMIC STATISTICS

List of Tables

TABLE I

COMPARISON OF MANITOBA'S ESTIMATED GROSS PROVINCIAL PRODUCT AND CANADA'S GROSS NATIONAL PRODUCT

(Millions of Dollars)

Year	Manitoba's Estimated Gross Provincial Product	Percent Change Relative to the Previous Year	Gross National Product	Percent Change Relative to the Previous Year
1960	$ 1,934		$ 38,359	
1961	1,891	-2.2	39,646	3.4
1962	2,109	11.5	42,927	8.3
1963	2,174	3.1	45,978	7.1
1964	2,394	10.1	50,280	9.4
1965	2,550	6.5	55,364	10.1
1966	2,735	7.3	61,828	11.7
1967	2,994	9.5	66,409	7.4
1968	3,289	9.9	72,586	9.3
1969	3,492	6.2	79,815	10.0
1970	3,669	5.1	85,610	7.3
1971	4,031	9.9	93,402	9.1
1972	4,486	11.3	103,407	10.7
1973*	5,177	15.4	118,678	14.8

Note: Data have been revised to accord with updated Statistics Canada series.

*Estimated

Source: Department of Finance.

TABLE 2

INDUSTRIAL ACTIVITY - SELECTED SECTORS

(Millions of Dollars)

	PRIMARY RESOURCES		CONSTRUCTION		MANUFACTURING		RETAIL TRADE	
Year	Value	Percent Change	Value	Percent Change	Value	Percent Change	Value	Percent Change
1960	438		396		711		843	
1961	401	-8.4	369	-6.8	717	.8	767[1]	N/A
1962	615	53.4	361	-2.2	753	5.0	801	4.4
1963	581	-5.5	403	11.6	794	5.4	828	3.4
1964	636	9.5	421	4.5	861	8.4	873	5.4
1965	682	7.2	415	-1.4	913	6.0	918	5.2
1966	701	2.8	485	16.9	1,019	11.6	1,007[1]	N/A
1967	683	-2.6	558	15.1	1,080	6.0	1,073	6.6
1968	698	2.2	662	18.6	1,119	3.6	1,118	4.2
1969	759	8.7	754	13.9	1,230	9.9	1,188	6.3
1970	820	8.0	695	-7.8	1,258	2.2	1,227	3.3
1971	908	10.7	671	-3.5	1,310	4.2	1,318	7.4
1972	1,024	12.8	745	11.0	1,465	11.8	1,470	11.5
1973	1,700*	66.0	826*	10.9	1,809	23.5	1,676	14.0

* 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 Statistics Canada's data revisions.

Source: Department of Industry and Commerce/Department of Agriculture/Department of Mines, Resources and Environmental Management/Department of Finance.

TABLE 3

VALUE OF MANITOBA'S PRIMARY RESOURCE PRODUCTION

(Thousands of Dollars)

	1968	1969	1970	1971	1972	1973*
Agriculture[1]	458,000	474,000	457,000	545,000	672,000	1,250,000
Minerals	209,617	245,596	332,146	329,913	311,154	404,914
Forest Products	19,500	25,300	22,200	26,000	31,000	34,000
Furs[2]	5,262	5,911	4,821	3,164	2,647	3,650
Fisheries[3]	5,497	8,286	3,360	3,829	7,415	7,415
Total Value of Output	697,876	759,093	819,527	907,906	1,024,216	1,699,979

*Estimated

[1] Excludes fur farm production and agricultural forest production reported in "Furs" and "Forest Products". Series revised.

[2] Ranch and wild furs.

[3] Based on the fiscal year.

Source: Department of Agriculture/Department of Mines, Resources and Environmental Management.

TABLE 4

TOTAL PUBLIC AND PRIVATE INVESTMENT IN MANITOBA

(Includes new and repair capital expenditures)

(Millions of Dollars)

Year	Institutional Services and Government Departments	Percent Change	Utilities	Percent Change	Private Sector and Other Capital Investment	Percent Change	Total	Percent Change
1960	140.8		178.2		339.4		658.4	
1961	142.6	1.3	151.2	-15.2	290.9	-14.3	584.7	-11.2
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	207.6	15.1	334.1	23.1	509.9	2.9	1,051.6	11.0
1969	244.5	17.8	296.8	-11.2	606.9	19.0	1,148.2	9.2
1970	234.1	-4.3	283.1	- 4.6	615.6	1.4	1,132.8	- 1.3
1971	220.7	-5.7	280.6	- 0.9	573.2	- 6.9	1,074.5	- 5.1
1972[1]	231.5	4.9	363.4	29.5	617.3	7.7	1,212.2	12.8
1973[2]	251.9	8.8	413.4	13.8	714.2	15.7	1,379.5	13.8

1 Preliminary actual figures.

2 Mid-year review figures.

Source: Statistics Canada.

PUBLIC AND PRIVATE INVESTMENT IN MANITOBA

	New Capital Investment* 1972 and 1973 ($ millions)		
	1972[1]	1973[2]	Percent Change
Primary Industries and Construction Industry	157.7	212.9	+35%
Manufacturing	49.8	65.2	+31%
Utilities	274.5	319.4	+16%
Trade, Finance and Commercial Services	81.8	95.9	+17%
Housing	177.8	177.0	-
Institutional Services and Government Departments	194.7	214.1	+10%
TOTAL	936.3	1,084.5	+16%

*New Capital Investment is made up of capital expenditures on new construction and on new machinery and equipment.

1 Preliminary Actual

2 Mid-year review.

TABLE 5

SELECTED ECONOMIC INDICATORS FOR MANITOBA

(Millions of Dollars)[1]

	PERSONAL INCOME		LABOUR INCOME[2]		FARM CASH INCOME		CHEQUE CASHINGS	
Year	Value	Percent Change	Value	Percent Change	Value	Percent Change	Value	Percent Change
1960	1,492		884		233		19,081	
1961	1,436	-3.8	905	2.4	243	4.3	21,131	10.7
1962	1,611	12.2	955	5.5	262	7.8	21,191	2.8
1963	1,647	2.2	1,003	5.0	270	3.1	26,496	25.0
1964	1,775	7.8	1,058	5.5	300	11.1	27,284	3.0
1965	1,892	6.6	1,143	8.0	342	14.0	30,922	13.3
1966	2,039	7.8	1,242	8.7	377	10.2	33,715	9.0
1967	2,280	11.8	1,410	13.5	373	-1.1	35,372	4.9
1968	2,523	10.7	1,557	10.4	365	-2.1	34,184	-3.4
1969	2,704	7.2	1,720	10.5	350	-4.1	36,436	6.6
1970	2,857	5.7	1,835	6.7	341	-2.6	39,897	9.5
1971	3,167	10.9	1,989	8.4	378	11.7	43,166	8.2
1972	3,551	12.1	2,213	11.3	484	27.0	47,800	10.7
1973	4,066*	14.5	2,417*	9.2	633	28.1	61,413	28.5

* Estimated

1 All data have been revised to accord with updated Statistics Canada series.

2 Unadjusted wages and salaries.

Source: Department of Agriculture/Department of Labour/Department of Finance/Statistics Canada.

TABLE 6

PER CAPITA INCOME COMPARISON

MANITOBA AND CANADA

	PERSONAL INCOME PER CAPITA				PERSONAL DISPOSABLE INCOME PER CAPITA			
Year	Manitoba	Percent Change	Canada	Percent Change	Manitoba	Percent Change	Canada	Percent Change
1960	$1,647		$1,656		$1,489		$1,487	
1961	1,557	-5.5	1,651	-.3	1,395	-6.3	1,475	-.8
1962	1,721	10.5	1,764	6.8	1,550	11.1	1,579	7.1
1963	1,736	0.9	1,840	4.3	1,562	.8	1,646	4.2
1964	1,851	6.6	1,933	5.1	1,656	6.0	1,713	4.1
1965	1,961	5.9	2,091	8.2	1,752	5.8	1,846	7.7
1966	2,117	8.0	2,303	10.1	1,854	5.8	1,994	8.0
1967	2,368	11.9	2,482	7.8	2,047	10.4	2,116	6.1
1968	2,598	9.7	2,690	8.4	2,231	9.0	2,262	6.9
1969	2,762	6.3	2,943	9.4	2,293	2.8	2,424	7.2
1970	2,906	5.2	3,131	6.4	2,385	4.0	2,539	4.7
1971	3,206	10.3	3,403	8.7	2,638	10.6	2,749	8.3
1972	3,580	11.7	3,750	10.2	2,960	12.2	3,036	10.4
1973*	4,096	14.4	4,235	12.9	3,395	14.7	3,434	13.1

* Estimated

Source: Department of Finance.

TABLE 7

CONSUMER PRICE CHANGES - WINNIPEG AND CANADA

CONSUMER PRICE INDEX (1961=100)

	CANADA			WINNIPEG		
	1972	1973	% Increase	1972	1973	% Increase
Jan./Mar.	137.1	145.2	5.9	131.5	138.0	4.9
Apr./June	138.3	148.5	7.4	132.3	140.2	6.0
July/Sept.	141.1	152.6	8.2	134.1	143.7	7.2
Oct./Dec.	142.5	155.4	9.1	135.9	146.3	7.7
Jan./Dec.	139.8	150.4	7.6	133.5	142.0	6.4

Source: Statistics Canada.

TABLE 8

CONSUMER PRICE INDICES - REGIONAL CITIES

% RATE OF INFLATION DECEMBER 1972 - DECEMBER 1973.

	All Items	Food	Housing	Clothing	Transportation	Health & Personal Care	Recreation & Reading	Tobacco & Alcohol
St. John's	11.3	20.8	10.0	4.9	8.0	2.9	5.5	1.6
Halifax	8.9	17.2	8.0	16.2	7.5	3.2	4.0	1.8
Saint John	9.7	17.8	7.5	7.1	7.5	3.9	5.5	1.3
Montreal	9.5	18.7	5.8	7.7	8.5	3.6	3.9	1.8
Ottawa	10.3	18.3	7.1	8.5	11.3	7.8	5.3	0.4
Toronto	7.8	15.5	5.3	8.2	2.5	10.8	4.8	0.5
Winnipeg	7.4	15.7	4.9	6.7	1.2	8.0	5.9	1.5
Regina	6.5	13.4	2.3	7.8	4.5	3.2	6.5	4.0
Edmonton	8.1	18.0	4.3	6.6	3.2	4.9	7.5	5.5
Vancouver	9.0	20.1	5.6	6.2	3.5	5.0	4.5	1.5

Source: Statistics Canada

TABLE 9

RESIDENTIAL DWELLING UNIT STARTS IN MANITOBA

Year	Single Detached	Percent Change	Row and Two Family	Percent Change	Apartment and Other	Percent Change	Total	Percent Change
1960	3,539		444		1,149		5,132	
1961	3,759	6.2	307	-30.9	1,612	40.3	5,678	10.6
1962	3,279	-12.8	519	69.1	891	-44.7	4,689	-17.4
1963	3,794	15.7	446	-14.1	2,148	141.1	6,388	36.2
1964	4,270	12.5	642	43.9	1,740	-19.0	6,652	4.1
1965	3,621	-15.2	394	-38.6	1,954	12.3	5,969	-10.3
1966	3,200	-11.6	325	-17.5	1,727	-11.6	5,252	-12.0
1967	3,374	5.4	583	79.4	1,880	8.9	5,837	11.1
1968	2,649	-21.5	511	-12.3	3,296	75.3	6,456	10.6
1969	3,315	25.1	1,123	119.8	7,406	124.7	11,844	83.5
1970	3,068	- 7.5	1,824	62.4	4,053	-45.3	8,945	-24.5
1971	3,719	21.2	1,707	- 6.4	5,279	30.2	10,705	19.7
1972	4,889	31.5	1,287	-24.6	5,892	11.6	12,068	12.7
1973	5,816	19.0	541	-68.0	5,174	-7.7	11,531	-4.4

Source: Statistics Canada.

TABLE 10

ELECTRIC POWER AVAILABLE IN MANITOBA

Year	Kilowatt Hours (Million)	Average Net Value (Thousands of Dollars)
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	7,539	65,250
1969	8,097	73,235
1970	9,279	82,482
1971	10,319	90,294
1972	11,700	102,960
1973*	13,000	113,100

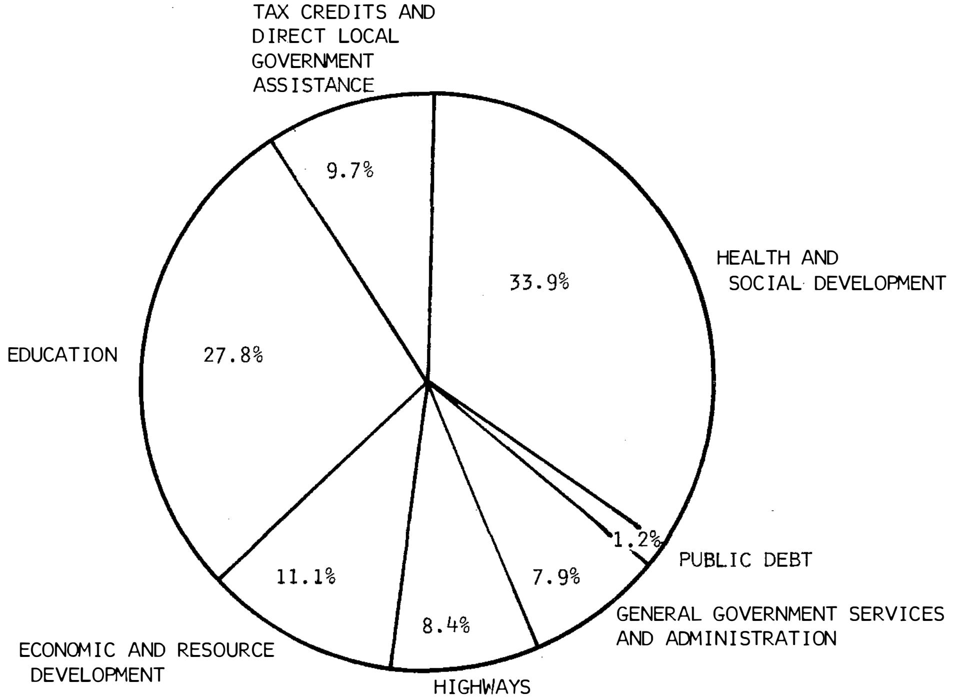
* Estimated

Source: Manitoba Hydro Electric Board.

APPENDIX B — FINANCIAL STATISTICS

BUDGETARY (CURRENT) EXPENDITURES

FISCAL 1974-75



	($ MILLIONS)
EDUCATION	$231.6
HEALTH AND SOCIAL DEVELOPMENT	282.7
HIGHWAYS	70.6
TAX CREDITS AND DIRECT LOCAL GOVERNMENT ASSISTANCE	80.7
ECONOMIC AND RESOURCE DEVELOPMENT	93.0
GENERAL GOVERNMENT SERVICES AND ADMINISTRATION	65.6
PUBLIC DEBT	10.1
TOTAL	$834.4

MAIN AND SUPPLEMENTARY ESTIMATES OF CURRENT EXPENDITURE

FISCAL 1973-74 AND 1974-75

	Fiscal 1973-74	% of Total	Fiscal 1974-75	% of Total
1. Education				
(a) Education - Main	$134,727,400		$145,392,800	
- Supplementary #1	4,500,000		-	
- Supplementary #2	1,189,700		-	
(b) Colleges and Universities Affairs				
- Main	75,529,700		86,231,700	
- Supplementary #2	415,000		-	
	$216,361,800	31.0%	$231,624,500	27.8%
2. Health and Social Development				
- Main	$196,926,500		$271,991,700	
- Supplementary #1	22,500,000		10,700,000	
- Supplementary #2	494,800		-	
	$219,921,300	31.6%	$282,691,700	33.9%
3. Economic and Resource Development				
(a) Agriculture				
- Main	$ 20,618,000		$ 24,739,200	
- Supplementary #2	28,500		-	
(b) Industry and Commerce	4,895,900		5,734,000	
(c) Mines, Resources and Environmental Management				
- Main	25,144,400		28,204,000	
- Supplementary #1	-		1,000,000	
- Supplementary #2	61,600		-	
(d) Tourism, Recreation and Cultural Affairs				
- Main	$ 10,821,100		$ 13,597,000	
- Supplementary #2	155,500		-	
(e) Northern Affairs				
- Main	$ 9,152,800		$ 11,962,800	
- Supplementary #2	328,700		-	
(f) Co-operative Development				
- Main	$ 721,100		$ 907,600	
(g) General Development Agreement				
- Supplementary #1	-		6,848,500	
	$ 71,927,600	10.3%	$ 92,993,100	11.1%
4. General Government Services and Administration				
(a) Consumer, Corporate and Internal Services				
- Main	$ 1,945,100		$ 1,849,300	
- Supplementary #2	21,000		-	
(b) Attorney-General				
- Main	14,169,600		16,682,400	
- Supplementary #2	211,600		-	
(c) Labour				
- Main	2,011,800		2,123,200	
(d) Legislation				
- Main	1,913,000		1,950,700	
- Supplementary #2	16,000		-	

... 2

-2-

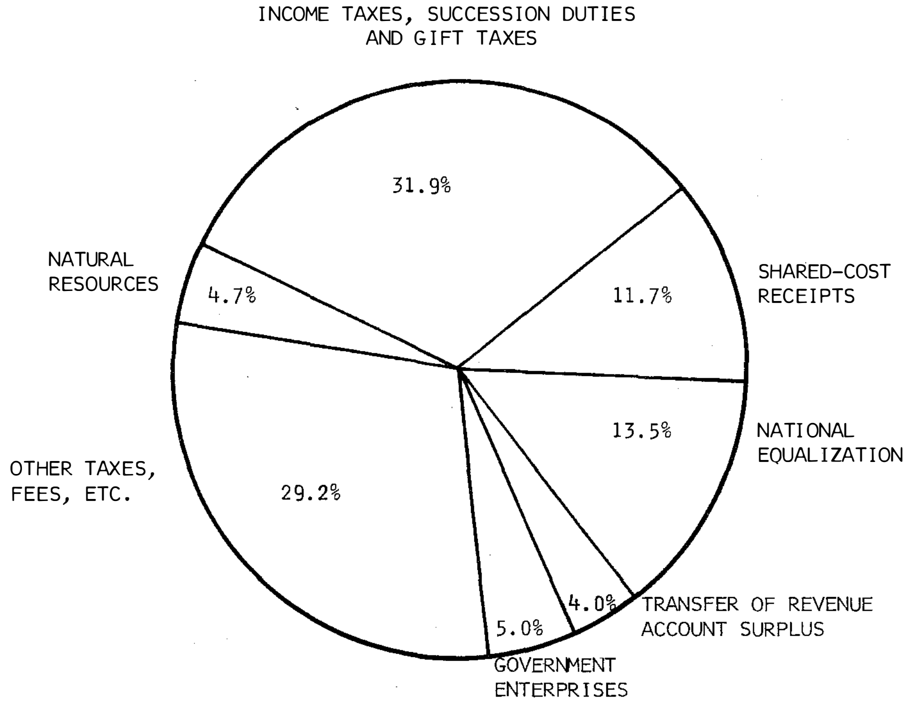
	Fiscal 1973-74	% of Total	Fiscal 1974-75	% of Total
4. General Government Services and Administration (Cont'd)				
(e) Executive Council				
- Main	$ 2,314,800		$ 3,039,200	
- Supplementary #2	200,700		-	
(f) Finance (excluding Public Debt)				
- Main	4,103,100		4,542,300	
- Supplementary #2	22,000		-	
(g) Public Works				
- Main	12,909,300		16,547,300	
- Supplementary #2	76,000		-	
(h) Civil Service				
- Main	4,616,100		5,383,300	
- Supplementary #2	165,700		-	
(i) General Salary Increase	-		13,500,000	
	$ 44,695,800	6.4%	$ 65,617,700	7.9%
5. Highways				
- Main	$ 60,032,700		$ 67,394,700	
- Supplementary #1	-		3,250,000	
- Supplementary #2	38,700		-	
	$ 60,071,400	8.6%	$ 70,644,700	8.4%
6. Tax Credits and Direct Local Government Assistance				
(a) Municipal Affairs				
- Main	$ 21,817,400		$ 22,882,900	
- Supplementary #1	2,000,000		-	
- Supplementary #2	6,500		-	
(b) Urban Affairs				
- Main	1,785,400		1,403,400	
- Supplementary #1	2,000,000		-	
- Supplementary #2	50,000		-	
(c) Manitoba Property Tax Credit Plan				
- Main	338,500		42,438,500	
- Supplementary #1	47,000,000		-	
(d) Manitoba Cost of Living Tax Credit Plan				
- Supplementary #1	-		14,000,000	
	$ 74,997,800	10.8%	$ 80,724,800	9.7%
7. Public Debt				
- Main	$ 8,989,800	1.3%	$ 10,072,000	1.2%
	$696,965,500	100.0%	$834,368,500	100.0%

DETAILED SUPPLEMENTARY ESTIMATES
OF CURRENT EXPENDITURE
OF THE
PROVINCE OF MANITOBA
FOR THE FISCAL YEAR ENDING MARCH 31st, 1975

Appro. No.	SERVICE	Details of Approp-priations	Year Ending March 31st 1975	Resolution No.
	HIGHWAYS (XV)			
3	Highway Maintenance and Construction, Aids to Cities, Towns and Villages, Work in Unorganized Territory and Operation of Ferries - Construction and Maintenance Grants Relevant to a Metropolitan Street System Established by the Lieutenant Governor in Council and Grants for Urban Transit	$ 3,250,000		1
	(b) Assistance Programs $3,250,000			
	TOTAL FOR HIGHWAYS		$ 3,250,000	
	HEALTH AND SOCIAL DEVELOPMENT (IX)			
4	Community Operations Division	$ 3,000,000		2
	(j) Income Security Programs			
	(2) Maintenance of Children $3,000,000			
6	Manitoba Health Services Commission	7,700,000		3
	TOTAL FOR HEALTH AND SOCIAL DEVELOPMENT		$10,700,000	
	MINES, RESOURCES AND ENVIRONMENTAL MANAGEMENT (XII)			
8	Minerals Exploration	$ 1,000,000		4
	TOTAL FOR MINES, RESOURCES AND ENVIRONMENTAL MANAGEMENT		$ 1,000,000	
	GENERAL DEVELOPMENT AGREEMENT (XXVI)			
1	Manitoba Northlands Sub-Agreement	$ 4,927,500		5
2	Major Industrial and Commercial Opportunities Sub-Agreement	627,000		6
3	Agro-Manitoba Sub-Agreement	1,294,000		7
	TOTAL FOR GENERAL DEVELOPMENT AGREEMENT		$ 6,848,500	
	MANITOBA COST OF LIVING TAX CREDIT PLAN (XXVII)			
1	Manitoba Cost of Living Tax Credit Payments	$14,000,000		8
	TOTAL FOR MANITOBA COST OF LIVING TAX CREDIT PLAN		$14,000,000	
	TOTAL SUMS TO BE VOTED		$35,798,500	

BUDGETARY (CURRENT) REVENUES

FISCAL 1974-75



	($ MILLIONS)
INCOME TAXES, SUCCESSION DUTY AND GIFT TAX	$266.9
NATIONAL EQUALIZATION	112.7
OTHER TAXES, FEES, ETC.	243.8
NATURAL RESOURCES	39.1
GOVERNMENT ENTERPRISES	42.0
SHARED-COST RECEIPTS	97.4
TRANSFER OF REVENUE ACCOUNT SURPLUS	32.5
TOTAL	$834.5

REVENUE ESTIMATES - FISCAL 1973-74 AND 1974-75

	Fiscal 1973-74	% of Total	Fiscal 1974-75	% of Total
1. Income Taxes and Provincial Succession Duty and Gift Tax				
(a) Individual Income Tax	$166,823,500		$197,600,000	
(b) Corporation Income Tax	41,282,800		50,300,000	
(c) Manitoba Succession Duty and Gift Tax	4,000,000		4,000,000	
(d) Income Tax Revenue Guarantee	-		15,000,000	
	$212,106,300	30.6%	$266,900,000	31.9%
2. National Equalization	$ 97,915,000	14.1%	$112,700,000	13.5%
3. Other Taxes, Fees, etc.				
(a) Legislation	$ 244,500		$ 300,200	
(b) Attorney-General (less Liquor Commission)	4,860,000		6,474,100	
(c) Colleges and Universities Affairs	922,600		981,800	
(d) Consumer, Corporate and Internal Services	782,200		799,500	
(e) Co-operative Development	73,600		500	
(f) Education	81,600		85,200	
(g) Finance	172,101,300		207,662,200	
(h) Health and Social Development	372,000		710,000	
(i) Labour	349,000		376,200	
(j) Municipal Affairs	23,000		26,000	
(k) Public Works	673,800		1,193,400	
(l) Motor Vehicle Fees	16,125,000		17,845,000	
(m) Miscellaneous Receipts for Sundry Services	6,448,800		7,361,300	
	$203,057,400	29.2%	$243,815,400	29.2%
4. Natural Resources				
(a) Agriculture	$ 412,600		$ 510,700	
(b) Finance	5,575,000[1]		30,600,000[1]	
(c) Mines, Resources and Environmental Management	6,240,800		6,655,700	
(d) Northern Affairs	39,500		40,000	
(e) Tourism, Recreation and Cultural Affairs	1,233,400		1,330,400	
	$ 13,501,300	1.9%	$ 39,136,800	4.7%
5. Government Enterprises (Liquor Commission)	$ 39,000,000	5.6%	$ 42,000,000	5.0%
6. Shared Cost Receipts	$ 87,020,400	12.5%	$ 97,438,600	11.7%
7. Transfer of Revenue Account Surplus	$ 42,000,000	6.1%	$ 32,500,000	4.0%
	$694,600,400	100.0%	$834,490,800	100.0%

[1] Includes Mining Royalty Tax, Mining Claim Lease Tax, Mineral Tax and Mineral Acreage Tax.

CAPITAL REQUIREMENTS - FISCAL 1974-75

SCHEDULE "A"

SELF SUSTAINING PROGRAMS

The Manitoba Hydro-Electric Board	$480,000,000
The Manitoba Telephone System	29,780,000
The Manitoba Water Services Board	4,560,000
The Manitoba Agricultural Credit Corporation	14,650,000
The Manitoba School Capital Financing Authority	14,000,000
The Manitoba Hospital Capital Financing Authority	18,000,000
Manitoba Mineral Resources Ltd.	340,000
The Manitoba Housing and Renewal Corporation	20,000,000
Manitoba Development Corporation	39,900,000
The Communities Economic Development Fund	1,000,000
	$622,230,000

SCHEDULE "B"

DIRECT GOVERNMENT PROGRAMS			$ 77,105,000
Churchill Townsite Redevelopment		$ 6,390,000(1)	
Educational Purposes			
(a) Frontier School Division	$3,030,000		
(b) Universities	6,000,000	9,030,000	
Frontier and Resource Roads		10,000,000	
Grants re Municipal Sewer and Water Systems		3,100,000	
Winter Works and Emergency Programs . . .		7,250,000	
General Development Agreement		7,685,000	
General Purposes		33,650,000	
			$699,335,000

(1) Of this amount 55% is recoverable from the Government of Canada.

SUMMARIZED STATEMENT OF DIRECT PUBLIC DEBT AS OF MARCH 31, 1973

Funded Debt:		
Bonds and Debentures:		
Payable in Canadian Dollars		$356,166,746
Payable in United States Dollars (U.S. $155,000,000)		155,000,000
Payable in European Units of Account (E.U.A. 23,850,000)		25,678,313
Payable in Swiss Francs (S. Frs. 80,000,000)		20,492,315
		557,337,374
Treasury Bills and Other Notes:		
Payable in Canadian Dollars		58,184,804
Total Funded Debt		615,522,178
Unfunded Debt:		
Accrued Interest and Other Charges		15,914,702
Accounts Payable		2,516,798
Special Funds		52,296,498
Total Unfunded Debt		70,727,998
Total Direct Public Debt		686,250,176
The Province considers the following assets to be proper deductions in arriving at Net Direct Public Debt:		
Sinking Funds - Cash and Investments		71,983,732
Special Reserve for Retirement of Debt		21,991,932
Cash on hand and in Banks - net		37,046,661
Temporary and Other Investments		45,353,770
Advances to The Manitoba Hydro-Electric Board	$184,082,430	
Less: Premium on U. S. Funds	10,040,430	
	174,042,000	
Less: Sinking Funds included above	11,842,726	162,199,274
Advances to The Manitoba Telephone System	48,700,000	
Less: Sinking Funds included above	7,502,507	41,197,493
Advances to Manitoba Development Corporation		174,846,115
Advances to The Manitoba Agricultural Credit Corporation		52,474,842
Advances to Leaf Rapids Corporation		7,900,000
Advances to Municipalities and Schools		14,319,790
Other - net		22,077,247
Total Deductions		651,390,856
Net Direct Public Debt		$ 34,859,320

Note: The Financial statement of Manitoba Development Corporation shows a deficit on operations of $39,925,027 as at March 31, 1973. The auditor's report indicates that the valuation of assets of the Corporation at this date does not include any provision for principal losses which might arise from loans relating to The Pas complex.

Note: A comparison of net Direct Public Debt for the years 1969-72 is as follows:

	1969	1970	1971	1972
As at March 31	$76,536,791	$54,592,024	$27,023,598	$48,509,132

Source: Department of Finance.

STATEMENT OF GUARANTEES OUTSTANDING
BY CLASS OF BORROWER

	December 31, 1972	March 31, 1973	December 31, 1973
Guaranteed as to Principal and Interest:			
Manitoba Hydro.	$746,945,000	$745,945,000	$879,945,000
Manitoba Telephone System .	168,500,000	178,500,000	178,500,000
Manitoba Water Supply Board	5,977,000	5,977,000	5,977,000
University of Manitoba. . .	26,532,562	26,513,562	26,408,554
Manitoba Development Corporation	24,915,000	24,915,000	41,499,000
Manitoba School Capital Financing Authority . . .	103,000,000	105,500,000	112,500,000
Manitoba Agricultural Credit Corporation. . . .	8,850,000	8,850,000	8,850,000
Hospitals and Other	6,121,456	8,206,270	8,374,769
	$1,090,841,018	$1,104,406,832	$1,262,054,323
Guaranteed as to Interest Only:			
School Districts.	$ 1,934,946	$ 1,934,946	$ 1,672,577
Municipalities.	1,202,135	1,202,135	987,436
	$ 3,137,081	$ 3,137,081	$ 2,660,013
	$1,093,978,099	$1,107,543,913	$1,264,714,336

Note: Sinking Funds and other Debt Retirement Funds at December 31, 1973, total:

(a) For General Purpose Debt	$ 77,289,448
(b) For self-sustaining Direct and Guaranteed Debt . . .	103,121,785
	$ 180,411,233

Source: Department of Finance.

DEBT CHARGES AS A PERCENTAGE OF EXPENDITURES

($millions)

Fiscal Year	Budgeted Current Expenditures[1]	Estimated Public Debt Charges	Debt Charges as a % of Expenditures
1969 - 70	$ 398.4	$ 12.8	3.2
1970 - 71	448.1	13.0	2.9
1971 - 72	516.8	9.4	1.8
1972 - 73	575.8	10.1	1.7
1973 - 74	697.0	9.0	1.3
1974 - 75	834.4	10.1	1.2

[1]Main and Supplementary.

APPENDIX C — DETAILS OF MANITOBA COST OF LIVING TAX CREDIT PLAN

Under the Manitoba Cost of Living Tax Credit Plan, maximum benefit levels will be established at 2% of the taxfiler's claim for personal exemptions. The larger the exemption claim, the larger will be the potential credit. In subsequent years, as personal exemptions are indexed to grow at the same rate as the Consumer Price Index, so will the maximum credit benefits. For 1974, maximum benefit levels will be $76.76 for a married taxfiler with two dependent children under 16 years of age, $63.96 for married taxfilers where one spouse claims the other as a dependant, and $34.12 for single taxfilers.

To relate benefits to ability-to-pay, these maximum benefit levels will be reduced by 1% of the taxfiler's taxable income to determine the actual cost of living tax credit entitlement. Thus, those with larger families and larger exemptions are eligible for larger potential benefits. Those with no taxable incomes receive maximum benefits while those with higher taxable incomes and greater ability-to-pay receive smaller credits.

In order to obtain benefits, the applicant must file an income tax return and Manitoba credit form. In general, all taxfilers qualify for credits except those under 16 years of age, those not resident in Manitoba for income tax purposes, and those claimed as a dependant by another taxfiler. Credit benefits will be received either in the form of a reduction in income taxes or in the form of a cheque - to be sent to eligible claimants on behalf of the Manitoba Government by the federal Department of National Revenue which administers this plan on behalf of the Province.

Following are three tables which illustrate the assistance the Manitoba Cost of Living Tax Credit Plan will provide for Manitobans and more particularly, its effectiveness in directing benefits to those in lower income ranges.

TABLE 1

ESTIMATED

ASSISTANCE PROVIDED BY

1974 MANITOBA COST OF LIVING TAX CREDIT PLAN TO VARIOUS

TYPICAL TAXPAYERS*

Gross Income	Single Taxpayer	Married Taxpayer No Dependants	Married Taxpayer 2 Dependants Under 16	Married Taxpayer Over 65 - No Dependants
$	$	$	$	$
1,800	34.12	63.96	76.76	85.28
1,900	33.75	63.96	76.76	85.28
2,000	32.78	63.96	76.76	85.28
2,200	30.84	63.96	76.76	85.28
2,500	27.93	63.96	76.76	85.28
3,000	23.08	63.96	76.76	85.28
3,500	18.23	62.99	76.76	85.28
4,000	13.38	58.14	76.76	85.28
4,500	8.53	53.29	72.49	83.92
5,000	3.68	48.44	67.64	78.92
5,500	--	43.44	62.64	73.92
6,000	--	38.44	57.64	68.92
6,500	--	33.44	52.64	63.92
7,000	--	28.44	47.64	58.92
7,500	--	23.44	42.64	53.92
8,000	--	18.44	37.64	48.92
8,500	--	13.44	32.64	43.92
9,000	--	8.44	27.64	38.92
9,500	--	3.44	22.64	33.92
10,000	--	--	17.64	28.92
10,500	--	--	12.64	23.92
11,000	--	--	7.64	18.92
11,500	--	--	2.64	13.92
12,000	--	--	--	8.92
13,000	--	--	--	--

*In calculating credit benefit levels, the 1974 exemption levels of $1,706 single exemption, $1,492 married exemption, and $320 dependant under 16 years of age exemption and $1,066 aged exemption were used.

TABLE 11

ESTIMATED

DISTRIBUTION OF BENEFITS UNDER 1974 MANITOBA COST OF LIVING TAX CREDIT PLAN BY MARITAL STATUS AND INCOME CLASS*

Gross Income	Single Taxfiler		Married Taxfiler No Dependants		Married Taxfiler Two Dependants	
	Average Credit	% of This Group in This Class	Average Credit	% of This Group in This Class	Average Credit	% of This Group in This Class
	$	%	$	%	$	%
Under 3,000	36 (1)	37.0	65 (1)	24.0	77	16.3
3,000 - 3,999	32	10.9	66 (1)	9.7	78 (2)	4.1
4,000 - 4,999	21	11.0	64	9.4	77	4.6
5,000 - 5,999	12	9.5	60	7.7	74	4.1
6,000 - 6,999	4	6.6	52	6.3	73	5.6
7,000 - 7,999	2	5.6	40	6.0	70	4.5
8,000 - 8,999	1	4.6	34	6.3	60	6.7
9,000 - 9,999	**	3.7	25	5.2	48	7.3
10,000+	**	11.2	5	25.4	17	46.8
		100.0		100.0		100.0

*This table was developed from 1971 income tax statistics which were adjusted to reflect 1974 income levels, to take into account tax changes since 1971 and to take into account persons not covered by the 1971 statistics.

**Average credit under $1.00

Percentages may not add to 100.0 due to rounding.

(1) These average credit benefit levels are higher than the normal maximum for these groups because of the inclusion of pensioners who have higher entitlements.

(2) This average credit benefit level is higher than the usual maximum for this group because dependants over age 16 are included.

TABLE 111

ESTIMATED

DISTRIBUTION OF BENEFITS UNDER 1974 MANITOBA COST OF LIVING TAX CREDIT PLAN BY INCOME CLASS - PENSIONERS, OVER 65's AND FARMERS*

	PENSIONERS (1)		OVER 65's (2)		FARMERS (3)	
Gross Income	Average Credit	Percentage of Group in This Class	Average Credit	Percentage of Group in This Class	Average Credit	Percentage of Group in This Class
$	$	%	$	%	$	%
Under 3,000	53	44.2	55	30.5	54	41.7
3,000 - 3,999	59	18.5	60	18.4	69	16.7
4,000 - 4,999	55	12.8	58	12.9	67	12.5
5,000 - 5,999	49	7.7	49	9.4	71	9.3
6,000 - 6,999	38	5.5	40	6.6	58	5.2
7,000 - 7,999	27	3.0	30	4.6	54	3.8
8,000 - 8,999	23	2.7	27	4.2	44	2.4
9,000 - 9,999	16	1.1	20	2.7	40	2.2
10,000+	7	4.5	5	10.8	19	6.4
		100.0		100.0		100.0

*This table was developed from 1971 income tax statistics which were adjusted to reflect 1974 income levels and to take into account tax changes since 1971.

Percentages may not add to 100.0 due to rounding.

(1) The group "Pensioners" includes only those who filed personal income tax returns in 1971 and whose principal source of income was pension income.

(2) The group "Over 65's" includes only those over 65 who filed personal income tax returns in 1971.

(3) The group "Farmers" includes only those who filed personal income tax returns in 1971 and whose principal source of income was farming.

SUMMARY OF TOTAL BENEFITS AVAILABLE UNDER THE MANITOBA PROPERTY TAX CREDIT PLAN AND THE MANITOBA COST OF LIVING TAX CREDIT PLAN

MANITOBA TAX CREDIT BENEFITS FOR 1974 SELECTED TAXPAYERS BY GROSS INCOME

	Single Taxpayer			Married Taxpayer No Dependants			Married Taxpayer 2 Dependants under Age 16			Married Taxpayer over 65		
Gross Income	Property Tax Credit*	Cost of Living Tax Credit	Total Benefits	Property Tax Credit*	Cost of Living Tax Credit	Total Benefits	Property Tax Credit*	Cost of Living Tax Credit	Total Benefits	Property Tax Credit*	Cost of Living Tax Credit	Total Benefits
$	$	$	$	$	$	$	$	$	$	$	$	$
1,800	200.00	34.12	234.12	200.00	63.96	263.96	200.00	76.76	276.76	200.00	85.28	285.28
1,900	199.63	33.75	233.38	200.00	63.96	263.96	200.00	76.76	276.76	200.00	85.28	285.28
2,000	198.66	32.78	231.44	200.00	63.96	263.96	200.00	76.76	276.76	200.00	85.28	285.28
2,200	196.72	30.84	227.56	200.00	63.96	263.96	200.00	76.76	276.76	200.00	85.28	285.28
2,500	193.81	27.93	221.74	200.00	63.96	263.96	200.00	76.76	276.76	200.00	85.28	285.28
3,000	188.96	23.08	212.04	200.00	63.96	263.96	200.00	76.76	276.76	200.00	85.28	285.28
3,500	184.11	18.23	202.34	199.03	62.99	262.02	200.00	76.76	276.76	200.00	85.28	285.28
4,000	179.26	13.38	185.64	194.18	58.14	252.32	200.00	76.76	276.76	200.00	85.28	285.28
4,500	174.41	8.53	182.94	189.33	53.29	242.62	195.73	72.49	268.22	198.64	83.92	282.56
5,000	169.56	3.68	173.24	184.48	48.44	232.92	190.88	67.64	258.52	193.64	78.92	272.56
5,500	164.56	-	164.56	179.48	43.44	222.92	185.88	62.64	248.52	188.64	73.92	262.56
6,000	159.56	-	159.56	174.48	38.44	212.92	180.88	57.64	238.52	183.64	68.92	252.56
6,500	154.56	-	154.56	169.48	33.44	202.92	175.88	52.64	228.52	178.64	63.92	242.56
7,000	149.56	-	149.56	164.48	28.44	192.92	170.88	47.64	218.52	173.64	58.92	232.56
7,500	144.56	-	144.56	159.48	23.44	182.92	165.88	42.64	208.52	168.64	53.92	222.56
8,000	139.56	-	139.56	154.48	18.44	172.92	160.88	37.64	198.52	163.64	48.92	212.56
9,000	129.56	-	129.56	144.48	8.44	152.92	150.88	27.64	178.52	153.64	38.92	192.56
10,000	119.56	-	119.56	134.48	-	134.48	140.88	17.64	158.52	143.64	28.92	172.56
11,000	109.56	-	109.56	124.48	-	124.48	130.88	7.64	138.52	133.64	18.92	152.56
12,000	100.00	-	100.00	114.48	-	114.48	120.88	-	120.88	123.64	8.92	132.56
13,000	100.00	-	100.00	104.48	-	104.48	110.88	-	110.88	113.64	-	113.64
14,000	100.00	-	100.00	100.00	-	100.00	100.88	-	100.88	103.64	-	103.64
15,000	100.00	-	100.00	100.00	-	100.00	100.00	-	100.00	100.00	-	100.00
16,000	100.00	-	100.00	100.00	-	100.00	100.00	-	100.00	100.00	-	100.00

*Assumes sufficient property taxes or rental equivalents to qualify for these benefit levels.

APPENDIX D — DETAILS OF MODIFICATIONS TO VENDORS' COMMISSIONS

COMPARISON OF ESTIMATED IMPACT OF PRESENT REVENUE TAX ACT COMMISSION STRUCTURE
(3% ON FIRST $200, 2% ON BALANCE)* WITH NEW SYSTEM
(5% ON FIRST $200, 1% ON BALANCE)* BY VENDOR SIZE

Range in Monthly Remittances	Number of Vendors in this Range	Percentage of Vendors in This Range	Average Yearly Commissions Current System	Average Yearly Commissions New System	Average Yearly Difference
$		%	$	$	$
Under 50	5,457	41.4	1.61	2.69	+ 1.08
50-100	1,574	11.9	23.54	39.24	+ 15.70
100-200	1,570	11.9	46.68	77.81	+ 31.13
200-300	981	7.4	73.95	109.89	+ 35.94
300-400	617	4.7	95.06	120.42	+ 25.36
400-500	436	3.3	116.39	131.14	+ 14.75
500-600	318	2.4	138.15	141.98	+ 3.83
600-700	243	1.8	158.92	152.29	- 6.63
700-800	213	1.6	180.71	163.23	- 17.48
800-900	183	1.4	202.37	174.06	- 28.31
900-1,000	126	1.0	223.96	184.89	- 39.07
1,000-2,000	676	5.1	321.14	233.44	- 87.70
2,000-3,000	267	2.0	539.89	342.91	- 196.98
3,000-4,000	148	1.1	754.28	450.00	- 304.28
4,000-5,000	81	0.6	964.49	555.20	- 409.29
5,000-10,000	158	1.2	1,466.49	806.14	- 660.35
10,000+	142	1.1	7,276.69	3,708.31	-3,568.38

*These commission rates refer to the collection period of the vendor.

NOTE (1) Over 83% of vendors receive greater compensation under the new system, while just under 17% receive less.

(2) The saving to the province as a result of the new commission structure is estimated at $675,000 in a full year.

COMMISSION CHANGES UNDER

OTHER PROVINCIAL TAX STATUTES

ACT	FORMER COMMISSIONS	REVISED COMMISSIONS
The Tobacco Tax Act	Currently 3% on the first $5,000 of tax remitted, 2% on the balance.*	3% on the first $5,000 of tax remitted, 1% on the balance.*
	YEARLY SAVING: $140,000	
Part I of The Revenue Act (1964)	Currently 3% on the first $10,000 of tax remitted, 2% on the next $50,000, 1% on the balance.*	5% on the first $200 of tax remitted, 1% on the balance.*
	YEARLY SAVING: $29,000	
The Gasoline Tax Act	Currently 1/5¢ per gallon on coloured product and 1/10¢ per gallon on taxable non-coloured product.	1/25¢ per gallon on coloured product and 1/20¢ per gallon on taxable non-coloured product.
The Motive Fuel Tax Act	Currently 1/100¢ per gallon on coloured product and 1/10¢ per gallon on taxable non-coloured product.	1/25¢ per gallon on coloured product and 1/20¢ per gallon on taxable non-coloured product.
	COMBINED YEARLY SAVING (GASOLINE AND MOTIVE FUEL): $210,000	

*These commission rates refer to the collection period.

APPENDIX E – STAFF STUDY – SUMMARY OF RESULTS OF 1972 EDUCATION PROPERTY TAX CREDIT PLAN

MANITOBA DEPARTMENT
OF FINANCE
STAFF STUDY
MARCH, 1974

PRELIMINARY ANALYSIS OF THE 1972 EDUCATION PROPERTY TAX CREDIT PLAN

Introduction

The 1972 Manitoba Budget Address announced a major reduction in school property taxes - a reduction related to the income levels of those who pay school property taxes either directly through their property tax statements or indirectly through their rents.

Preliminary data are now available from the Department of National Revenue which permit an appraisal of the impact of the 1972 plan. The data are, however, incomplete - preventing this study from dealing with the important matter of the incidence of school property taxes and the manner in which the regressive nature of these taxes was mitigated by the 1972 plan. The data now available show only the distribution of benefits under the 1972 credit plan.

It should also be recalled that the 1973 Budget Address announced important additions to the 1972 credit Plan. Maximum and minimum benefits were both increased, and the base of the plan was widened substantially by including all property taxes rather than just education property taxes. No data are yet available that would allow a careful examination of the precise manner in which the 1973 plan worked to alter the incidence of the property tax since benefits are being claimed at the present time. Both the 1972 and 1973 plans are similar in design, but the 1973 plan is significantly larger and has a correspondingly larger effect on the incidence of the property tax.

The tables in this paper indicate that $24 million in credits were disbursed under the 1972 plan. This is not a final figure, but is probably close to the final cost of the plan. Similarly, the distribution data reported below are preliminary. Some changes - perhaps significant in respect of certain income groups - will be apparent when all the data are available.

Description of the 1972 Credit Plan

The 1972 Credit Plan provided for reductions in education property tax - reductions to be received by claimants through the income tax system. A formula relating credits to income was developed in order that larger benefits would flow to those most needing education property tax relief. The formula was: $140 minus 1% of taxable income to a general minimum of $50 (i.e. even those with high taxable incomes would receive at least $50). In addition, no credit could exceed the amount of education property taxes actually paid in

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respect of 1972.* For tenants, education property taxes were deemed to be equal to 10% of rent paid. All individuals could claim a 1972 credit except:

- those under the age of 16 in 1972;
- those claimed for tax purposes as a dependant by someone else;
- those living in accommodation exempt from school taxes.

In the case of married couples, credits could be claimed only by the spouse with the higher taxable income.**

The 1972 Education Property Tax Credit Plan in Operation

Preliminary estimates indicate that some 292,300 people claimed credits under the 1972 plan. This represents some 60% of all those who filed income tax returns for 1972. The 292,300 includes almost 61,000 people who had no income tax liability at all. Presumably, a large proportion of this group filed an income tax return solely for the purpose of obtaining an education property tax credit.

Table I provides an overview of the effects of the 1972 credit plan. It displays the income, provincial income tax and education property tax credit position of all those in Manitoba who claimed a 1972 credit. The average credit was some $82 - with those reporting incomes of around $9,000 or less receiving, in general, higher-than-average credits. For those with low incomes, of course, the effects of the credit plan were especially large. For example the average credit for those with incomes under $3,000 was $88.00. For this income class, the credits increased

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* The 1972 Education Property Tax Credit Plan was in addition to the School Tax Reduction Plan, which also applied to 1972 school taxes. Under this latter plan, rebates were calculated on the basis of one-half of school taxes paid to a maximum of $50. For homeowners, property tax bills were reduced by this amount. For renters, benefits were received directly from the landlord. It is important to note that the 1972 Education Property Tax Credit Plan stipulated that credits would be paid in respect of the gross amount of 1972 school taxes, i.e. school taxes before the reduction under the School Tax Reduction Act. Thus claimants received "double" benefits in 1972.

** "Income" is of course defined as income for 1972 tax purposes. Family allowances, Youth Allowances, Workmen's Compensation payments, War Disability Pensions, Blind Persons Allowances, Old Age Assistance payments, Guaranteed Income Supplement and Social Assistance payments such as Disabled Persons Allowances and Mother's Allowances were not included in 1972 income for tax purposes.

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incomes, on average, by over 5%. As incomes rise, credit entitlements, in general, fall with the proportional effects of the credit on income declining rapidly (see Column 7, Table 1). The effect of the general minimum credit of $50 is clearly shown in Column 6.

Table I can be summarized by noting that for those whose incomes were under $5,000, the average credit for 1972 was some $90. For those with incomes between $5,000 and $10,000, the average credit was $86. For those with incomes between $10,000 and $15,000, the average credit was $62, and for those with incomes over $15,000, the average credit was $50. Of those in the under $5,000 income class, 17% received the formula maximum of $140 while an additional 67% received credits equal to their school taxes i.e. 84% of those in the under $5,000 income class who received credits, obtained maximum benefits.

This illustrates that maximum benefits were of two kinds under the 1972 plan. Those receiving $140 received maximum benefits. In addition, those whose credit equalled education property taxes paid also received maximum benefits. Preliminary indications are that of the 292,300 individuals who received credits for 1972, some 20,500 or 7% of the total received the dollar maximum of $140, while an additional 116,000 people (40% of all credit claimants) received a maximum payment in that the credit completely erased the education property tax liability. Many of this latter group would be living in relatively inexpensive housing throughout rural Manitoba. In addition, a number of tenants and roomers would be part of this latter group. The data allowing for an examination of the characteristics of the "maximum benefit" group are, unfortunately, not yet available.

To summarize, the available data indicate that of the 292,300 credit claimants, some 136,500 individuals, or 47% of the total, received maximum benefits under the 1972 plan.

The distinction between the two types of maximum credits can best be displayed by an example.

<u>Case 1</u> Consider a family of four living in its own home, where the 1972 school property taxes amounted to $150. Only the husband worked and his 1972 earned income was, say, $3,500 arising from working most of the year at the minimum wage. (In such a case some social assistance might have been received - but such payments are not taxable.) In this example, the 1972 education property tax credit would be calculated as follows:

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Total Income	$3,500
Exemptions	
Basic Personal Exemption	1,500
Married Exemption	1,350
Dependent Children Exemption (2)	600
Deductions	
Employment Expense Deduction	105
Medical & Charitable Deduction	100
Exemptions and Deductions	$3,655
Taxable Income	$ 0

Education Property Tax Credit: $140 minus .01($0) = $140.

This family then would receive the maximum credit calculated on the basis of the formula.

Case 2 Consider a pensioner and his wife both receiving the basic old age security pension, with the man also in receipt of a pension from his previous job. Assume that the couple resides in a modest apartment where the rent in 1972 was $80.00 per month. Only the husband would file an income tax return.
In this example, the education property tax credit would be computed as follows:

Total Income	
O.A.S.	$ 995
Other Pension	3,000
Total	$3,995
Exemptions:	
Basic Personal	$1,500
Age Exemption	1,000
Married Exemption	605 *
Deductions:	
Medical & Charitable	$ 100
Total Exemptions & Deductions	$3,205
Taxable Income	$ 790

On the basis of the formula, this couple would receive as an education property tax credit: $140 minus .01(790) = 132.10. However, since education property taxes (assumed to be 10% of annual rent) amounted to only $96, the education property tax credit would be $96. Since the credit program is designed to

* Married Exemption in respect of a spouse receiving basic Old Age Security Pension.

offset education property taxes, the credit itself, of course, cannot exceed those taxes (or, in this case, the proxy for taxes - 10% of rent).

Both the working man of Case 1 and the pensioner of Case 2 received maximum benefits under the plan and each would therefore be included in the 47% of credit claimants who received the maximum benefits for 1972.

It is, of course, to be expected that the average income of the group receiving maximum benefits would be significantly lower than for the total credit claiming group. This is, in fact, the case. The average income of all credit claimants in 1972 was $7,065. For the group that received the maximum benefits (47% of the total), the average income was $3,810. For the remainder, those receiving benefits on the basis of the formula noted above (including, of course, those who received the $50 formula minimum), the average income was $9,910.

Taxable and Non-Taxable Returns

Many of the individuals who filed 1972 income tax returns in Manitoba had no income tax liability. A large portion of this group filed such returns in 1972 solely for the purpose of applying for the education property tax credit. Of the 292,300 people who received credits in 1972, some 60,900 or 21% of the total paid no federal or provincial income tax. The average income of this group was, of course, very low - less than $1,900. The average credit received by those in this group was $95. It is interesting to note that 98% of this group received the maximum benefits under the Education Property Tax Credit Plan. The balance of the 292,300 was, of course, made up by those individuals who did have an income tax liability. The average income of this group was, as expected, higher - some $5,100 - with the average credit received lower - at $79.

Pensioners*

In 1972 some 44,100 pensioners filed income tax returns in Manitoba. Of this number, 31,700, or 72%, received the education property tax credit. The average income of this group was very low, $2,570, compared to the average income of all credit claimants of $7,065. The average credit received by pensioners was $91.

* For purposes of this study, pensioners are defined as those individuals where pension income predominated on the 1972 income tax return. Most of these people would be over 65 but some people over 65 would not turn up in the pensioner category - i.e., those whose non-pension income exceeded their pension income.

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A very high proportion of credit claiming pensioners received maximum benefits; 5,400 received the formula maximum of $140, and 21,100 received all the education property taxes back through the credit. In total, 26,500, or 84% of pensioners who claimed the credit for 1972, received maximum benefits under the credit plan.

As would be expected, a large proportion of this group (73%) had no 1972 income tax liability. Most of these individuals therefore filed an income tax return in order to receive the education property tax credit. Over 99% of this latter group received maximum benefits - either the $140, or a credit equalling the education property taxes paid.

Farmers

Some 25,600 farmers received credits under the plan. As farmers' average incomes in 1972 were lower than that for all credit claimants ($4,185 compared to $7,065) and as school tax burdens are, in general, higher for farmers than for credit claimants in general, the average education property tax credit paid to farmers - $112 - was significantly higher than the general average credit of $82.

Of the 25,600 farmers, 15,900, or 62%, received maximum benefits. Well over half this group received $140, while the remainder received a credit equal to their education property taxes paid.

Conclusion

It is generally agreed that property taxes (and for tenants the rental equivalents of property taxes) are a regressive form of taxation i.e. those with lower incomes pay a higher proportion of these incomes toward property taxes than do those with higher incomes. This of course applies to education property taxes as well. (Education property taxes made up about one-half of the property taxes levied in 1972). The 1972 Budget Address announced a change in the structure of education property taxation in Manitoba. Through the Manitoba Education Property Tax Credit Plan 1972 education property taxes were to be reduced - the amount of the reduction to depend on both education property taxes paid and taxable income. In order to link the property tax reductions to taxable income the plan was administered through the income tax system.

On the basis of preliminary data this study has outlined some of the principal effects of the plan.

1) Linking school property tax reductions to the taxable income position of credit claimants concentrated tax relief in the below average income classes.

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2) Low income groups - whether defined by their taxation status (taxable versus non-taxable returns) or by their occupation (farmers, pensioners,) received higher than average benefits from the Education Property Tax Credit Plan.

3) A large proportion (40%) of those who claimed credits received all of their school taxes back through the credit. An additional 7% received the formula maximum of $140.

4) Virtually all of those credit claimants who filed a tax return with no federal or provincial tax payable received maximum benefits under the plan.

5) A large proportion of total tax credits were concentrated in the below-average income classes. For example, 44% of the dollar value of all credits went to those whose 1972 incomes were less than $5,000. For pensioners the corresponding figure was 89% and, for farmers, 76%.

6) The extension of the 1972 plan - The Manitoba Property Tax Credit Plan - is a much larger plan but as its design is essentially the same as its predecessor, one can reasonably expect that the benefits under the new plan will have an array of effects similar to those described above.

TABLE 1

CREDIT CLAIMING FILERS IN 1972 - SELECTED STATISTICS

Income Class	Average Income	Number of Tax Returns	Average Manitoba Provincial Income Tax	Provincial Income Tax / Income	Average Education Property Tax Credit	Education Property Tax Credit / Income
$	$		$	%	$	%
Less than $3,000	1,630	64,044	8	.5%	88	5.4%
3,000 - 3,999	3,521	24,161	70	2.0%	91	2.6%
4,000 - 4,999	4,494	26,948	132	2.9%	92	2.0%
5,000 - 5,999	5,486	25,789	199	3.6%	91	1.7%
6,000 - 6,999	6,506	24,870	282	4.3%	89	1.4%
7,000 - 7,999	7,505	25,158	360	4.8%	87	1.2%
8,000 - 8,999	8,477	21,547	422	5.0%	83	1.0%
9,000 - 9,999	9,461	20,457	503	5.3%	77	.8%
10,000 - 11,999	10,910	25,405	621	5.7%	67	.6%
12,000 - 14,999	13,225	17,848	814	6.2%	55	.4%
15,000 - 19,999	16,863	9,450	1,167	6.9%	51	.3%
20,000 - 24,999	22,148	2,939	1,703	7.7%	51	.2%
25,000+	40,569	3,637	4,297	10.6%	50	.1%
TOTAL	7,063	292,253	371	5.3%	82	1.2%

Source: Preliminary data, supplied by Department of National Revenue.

TABLE 11

NUMBER OF INDIVIDUALS RECEIVING MAXIMUM BENEFITS
UNDER THE 1972 EDUCATION PROPERTY TAX CREDIT PLAN

	Credit = $140	Credit = Education Property Taxes	Total Number Receiving Maximum Benefits	Those Receiving Maximum Benefits as % of all Credit Claimants in Class
All Credit Claimants	20,502	115,991	136,493	47%
Pensioners	5,437	21,107	26,544	84%
Farmers	8,906	7,039	15,945	62%

Source: Preliminary data. Supplied by Department of National Revenue.

TABLE 111

DISTRIBUTION OF CREDITS BY INCOME CLASS

Income Class	ALL CREDIT CLAIMERS Number in Class	ALL CREDIT CLAIMERS %*	ALL CREDIT CLAIMERS % of Total Credits	PENSIONERS Number in Class	PENSIONERS %	PENSIONERS % of Total Credits	FARMERS Number in Class	FARMERS %	FARMERS % of Total Credits
Less than $5,000	115,153	39.4%	43.1%	28,390	89.6%	89.4%	18,421	72.1%	75.9%
5,000 - 9,999	117,821	40.3%	42.3%	2,923	9.2%	9.8%	5,676	22.2%	20.8%
10,000 - 14,999	43,253	14.8%	11.2%	306	1.0%	.7%	1,068	4.2%	2.5%
15,000 - 19,999	9,450	3.2%	2.0%	47	.1%	.1%	238	1.0%	.5%
20,000 - 24,999	2,939	1.0%	.6%	15	--	--	87	.3%	.2%
25,000 +	3,637	1.2%	.8%	14	--	--	72	.3%	.2%
	292,253	100.0%	100.0%	31,695	100.0%	100.0%	25,562	100.0%	100.0%

*Percentages may not add to 100.0% due to rounding.

Source: Preliminary data. Supplied by Department of National Revenue.

APPENDIX F

STATEMENTS

Honourable Saul Cherniack, Q.C.

Minister of Finance
Government of Manitoba

Conference of Ministers of Finance and Provincial Treasurers
Ottawa, Ontario: January 24th and 25th, 1974.

A. Statement On The Economic And Fiscal Situation

B. Statement On Tenth Annual Report - Economic Council of Canada

C. Statement On The Revenue Guarantee and Indexation

D. Statement On Health Insurance Financing

STATEMENT ON THE ECONOMIC AND FISCAL SITUATION

This Conference is taking place at a critically important time in the life of our nation - and, indeed, of the world.

Most of the standard economic indicators for the year just past paint a picture that presents a substantial challenge to governments. The various numbers produced by statistical agencies are now, for the most part, available for the year 1973 - putting us in a position of being able to draw some comparisons and conclusions on the economic performance of the recent past and of the desired future path. That the comparisons with previous years are not encouraging gives weight to the view that the decisions taken at this Conference will be critically important for the future of the country over the next two or three years.

Perhaps the most dramatic number is the 7.6% year-over-year increase in the consumer price index - a rate of increase not experienced in Canada for over twenty years. Unemployment remained exceedingly high in 1973 at 5.6% of the labour force, which was an improvement of about 1/10th from the 1972 level. It need hardly be said that this improvement should _not_ be cause for complacency.

It is presently estimated that the real growth in the Canadian economy in 1973 will approach 7%. This is an encouraging number. I will have more to say about forecasts of real growth in a moment, but I want to emphasize here that the maintenance of a high rate of real growth is critically important at this particular time.

The future developments regarding growth, prices and unemployment are considerably clouded by the uncertainties brought about by the energy situation. While it is impossible to predict precisely what the effect of the oil embargos and the new price positions will be in 1974 and beyond, it is possible to say that the situation presents a substantial concern to Governments.

Future Policy Options

With regard to fiscal policy in 1974, it is clear that an active interventionist policy is called for. There also appears to be general agreement that this positive intervention should occur on the demand side. This is certainly our view.

While shortages of oil and other attendent shortages will probably be relatively severe in some countries, that will apparently not be the case in Canada. The effect of the shortage on us, however, will be derivative - that is to say that one can confidently expect that aggregate demand in Canada will be reduced from what it would otherwise have been as a result of the slowdown in the economies of our major trading partners.

The conclusion is clear - the so-called energy crisis will manifest itself in Canada as a problem of lack of demand for many of our products.

Governments should respond with the use of traditional fiscal and monetary policy designed to facilitate growth and to expand job opportunities. I emphasize this point because there are a number of worrying trends that suggest to me that the federal government is not acting in a manner consistent with this view. There is, for example, some evidence that suggests that the stimulus expected from the federal government in 1974/75 is significantly smaller than the stimulus arising from the provincial and local governments.

Another piece of evidence, the deficit position of the federal, provincial and local governments on a national accounts basis (and this is on a nine month basis for 1973), suggests not only that the federal government will be running a very small 1973 deficit but also that the combined fiscal impact of all provinces and all local governments far outstrips that of the federal government. In my judgment, from the point of view of stabilization, this situation is not appropriate and should not be allowed to continue into 1974.

Another indication of this trend is the federal government's recent past action regarding direct winter job creation. From a 1972-73 program of around $275 million, plus some capital acceleration, the 1973/74 winter program has shrunk to under $100 million (again not counting capital acceleration). In Manitoba, on the other hand, our provincial employment program is at $10 million - down slightly from last year's figure of $13 million. But on the capital acceleration side, our efforts are substantially greater than last year's given our "normal acceleration" and we added a new $13 million special municipal loans program. If one viewed the size of last winter's federal program as appropriate (and this is clearly not Manitoba's position) one could perhaps argue that 1973-74 winter programs should in aggregate be smaller than in the previous year given the somewhat better unemployment experience (although, I emphasize such an overall reduction did not occur in Manitoba). It is impossible, however, to argue that a cut of fully two-thirds is appropriate - yet that is what the federal policy produced this winter.

My point, Mr. Chairman, is a simple one - but one that has been missed in the past on a number of occasions. Not only do the present economic circumstances call for an expansionary fiscal and monetary policy but the very existence of over a half million unemployed in this country argues even more strongly for the same thing. Some recent events have suggested that the federal government is moving in the opposite direction while other levels of government are clearly on the proper path. I urge that the federal government clarify its intentions in this regard.

Inflation

Last year inflation was extremely severe and forecasts for the coming year suggest that it will continue at least at the 1973 rate of increase.

While the federal government's recent action of indexing some of the major transfer payments was a necessary, and, incidentally, a long-advocated step in helping to shelter the poor from inflation, no one can sensibly argue that these actions are sufficient. No one doubts that a substantial part of Canadian inflation is "imported" and that Draconian measures such as were taken a few short years ago by the federal government to control such inflation are completely inappropriate and wasteful of resources, both human and material.

But, while part of Canada's inflation stems from international forces, a good part of it comes from domestic sources. Examine, for example, the record of corporate profits before taxes in this country. It should hardly please us to note that the rate of increase in such profits for the first three-quarters of 1973 over a similar period in 1972 was the highest rate of increase in some twenty-five years. Now it is true that corporate profits exhibit marked increases and decreases over the economic cycle - but note that the 32% increase in 1973 over 1972 comes after increases of 21% and 16%, respectively, in previous years. In the face of these quite fantastic increases in before-tax profits, the federal government has been busy reducing corporate taxes so that the corporate sector is contributing far less than its proper share to the public sector. In addition, of course, the inflationary implications of such increases are clear.

As is so often the case, situations such as this draw attention and suggestions for change. In the face of these profit levels, it is time for the federal government to reconsider the vitally important subject of restrictive trade practices. A properly designed and enforced combines policy would help on the inflation front; certainly the present Act, still does not prevent certain monopolistic practices, which result in profiteering year after year.

Maybe governments should now seriously consider some form of increased tax on corporate profits, resultant from controlled markets. This may well be justified in the face of a year-over-year increase of one-third in corporate profits which is coupled with federal tax cuts for most companies.

In the light of an indicated 7% to 8% rate of inflation, we must consider measures which would moderate price increases somewhat and ensure that the corporate sector of the economy would begin to bear its fair share of the Canadian tax load.

Manitoba volunteers to form part of an inter-governmental on-going group studying the effect of present and perhaps innovative corporate tax policies as they may affect productivity, employment and contribute to lower prices.

Unemployment

Along with inflation, the principal problem still facing Canada is the high rate of unemployment. Given the policy prescription I outlined earlier, it is evident that a part of the necessary stimulation could come from a direct employment program. Whether such a program is cast as a solution to winter unemployment - which only now is beginning to mount - or whether it is viewed as part of a more general employment policy is not important. People are unemployed; the economy needs stimulation, and the federal government has the resources and the responsibility to act.

I do not intend to recite an exhaustive list of suggestions for the components of such a program but I cannot pass without commenting on the success of Manitoba's provincial employment program. The idea of a pensioners' housing program, for example - a program that provided the elderly with income-related grants to repair their homes - could easily be expanded to a national scale. Why not generalize this program on such a scale so that all low-income homeowners could benefit from a general housing repair program? In addition, I commend the attention of the federal government to Manitoba's Farm PEP Program - a program that in Manitoba has demonstrated great success in removing people from the ranks of the unemployed and from the welfare rolls. A national program of this sort would strengthen the agricultural sector and reduce unemployment.

Even prior to recent energy developments, it was the virtually unanimous view that 1974 real growth in Canada would be far below 1973 growth and it is probably fair to say that the consensus view was for real growth around the 5¼% - 5½% level. Even these forecasts, then, put expected real growth at levels lower than anything experienced since the dramatic downturn of 1970. Now, of course, with the energy situation changed, forecasts have been revised downward and it seems apparent that real 1974 growth in Canada will be somewhere between 4% and 5%, with unemployment rising perhaps to the 6% level. Given the lags associated with government policy it is essential that action be taken now to affect these forecasts. We are in a situation when it would be easy to err on the side of caution. If mistakes are to be made in stabilization policy in 1974, let them be made on the "high side".

Conclusion

In the federal Minister's last Budget, he emphasized the need for greater coordination of stabilization policy given the important part that provincial governments play in Canadian fiscal arrangements. Your Budget, sir, stated that " -- when there is a need to accelerate growth in the economy, substantial provincial deficits as well as federal deficits may be appropriate". I agree with this and I emphasize now that the data show that the expected provincial stimulation in the near future is presently significant - more so than the expected federal fiscal stimulation. I believe the current circumstances call for an expansionary policy on a massive scale. We in Manitoba are doing our part - we call on the federal government to do its.

STATEMENT ON
TENTH ANNUAL REPORT - ECONOMIC COUNCIL OF CANADA

In its last two Annual Reports, the Council has spoken for greater coordination between governments in Canada and between governments and the private sector in the formation of economic policy. To this end it has recently repeated its recommendation that the federal and provincial governments, through the auspices of our officials' committee, together establish some indicators of the desirable increase in public expenditure for a coming three-year period. One has the impression from the Council Reports, that it believes that simply placing representatives of all eleven senior governments in a room (perhaps with a computer) will inevitably result in coordinated policies designed to further ends upon which all have agreed. Meaningful coordination of policy can only occur when basic agreement exists on the ends. The experience of this committee has shown that, but this should not hide the fact that, when basic views differ, a coordinating mechanism can be of limited use.

We have a number of mechanisms for coordination of policy already, and I sense that when these are judged to be deficient it is not due to the inappropriateness of the mechanism, but often due to important policy differences amongst governments.

Methodology

Last year, Manitoba outlined some of the reservations we had with the approach taken by the Council in developing what it chose to call "Performance Indicators". These reservations remain. The indicators are referred to in the review as "targets", and yet the discussion of the individual indicators seems to be couched in terms of the likely outcome rather than the desired outcome.

While the approach adopted does allow for an appreciation of the past inter-relationships of major economic aggregates, one wonders whether the indicators are not simply forecasts, since they often seem to be the result of past trends. Targets are only useful if they direct the economy along different lines from the current trend - if indeed that is what is desired. I compare the approach taken by the Council with that adopted in Guidelines for the Seventies - a policy and planning document published last year by the Government of Manitoba. Guidelines sets out some broad but basic objectives. The discussion of each policy area begins with a restatement of these objectives from the point of view of agricultural policy, land policy, tax policy, etc. While Guidelines only represents a start to an ongoing planning process, I must say that I find the approach adopted there, including the unequivocal statement of economic and social policy objectives at the outset, far more useful than the approach adopted by the Economic Council.

Some Particular Issues

I will spare you a detailed look at the Tenth Annual Review - but I will deal briefly with some of the specific issues that come to mind upon scanning the Report.

Income Redistribution

One of the things that concerns me about the two last Annual Reports of the Council is that there is very little said about the important issue of income redistribution. The issue is mentioned in relation to the discussion on transfer payments - a matter I wish to deal with in a moment - but nowhere in the discussion of targets is mention made of what goals we should be working towards in this important area. This is a disturbing omission, especially when the Council characterizes its search for what it refers to as an "optimum solution" as having taken place only after taking into account "the major goals of economic policy". It would seem to me that neglecting the issue of income redistribution in such a total way seriously reduces the value of the Council's work. It is all the more surprising, given the fact that the Council in previous years has done some very useful work on this very issue.

The Size of the Public Sector

In both the Ninth and Tenth Annual Reviews, the Council has made explicit suggestions concerning the appropriate size of the public sector. Indeed, one of the performance indicators is the maintenance of a growth rate of current government expenditures at 5% per year (in constant dollars).

Now, the matter of the appropriate size of the public sector is one on which views differ considerably. The government which I represent has expanded the size of the provincial public sector somewhat through such programs as public automobile insurance, and the emphasis we have placed on direct employment programs, to cite just two initiatives. The data show that other governments in Canada have, in fact, produced a similar result due to the adoption or enlargement of programs that represented for them the implementation of desired policy options.

Although I need hardly emphasize the point in this forum, nothing could be more clear than that the governments which introduced various policies and programs bear the responsibility for them - not only in debate but ultimately at the polling booth. In my view, governments have a responsibility to examine the economic and social needs of a society, and to move in a planned and efficient way to fill them, if indeed this accords with the policy thrusts of the governments in question. If these decisions affect the size of the public sector, then - so be it. Given this, I wonder if it is even the business of the Economic Council of Canada to suggest that the public sector should be a particular size.

Transfer Payments to People

The Council recommendation that has attracted most attention is the suggestion that the growth rate of government transfers to persons should be slowed down from the 13.5% per year increase that the Council estimates will occur, to 11.2% per year over the 1973 to 1976 period. This latter figure is apparently chosen because it is the rate at which these expenditures grew during the 1960's. For some peculiar reason, not easily understood by me, the Council seems to imply that since the expected percentage growth in total government expenditures for the 1972 - 1976 period is also 11.2% - that that is an additional justification for limitation on the growth of transfer payments to people. I must confess that the logic of this apparent combination of oranges and apples escapes me - the more so since it is presented as being self-evidently logical!

In framing its recommendations, the Council identifies what it calls the major provincial transfer programs - such as post-secondary education, and the social assistance system - and finds that total provincial and municipal transfers to people are expected to rise by some 14% in the 1972 - 1976 period. The major federal transfer programs - Old Age Security, Family Allowances, Unemployment Insurance are, on the other hand, expected to increase by 11% per year over a similar period. The C.P.P. and the Q.P.P. are expected to increase out-payments by about 45% per year in the 1972 - 1976 period.

Now, amongst these transfer programs, the Council recommends finding $4.6 billion that should be withdrawn from their future growth. The Council does not suggest just where these cuts should be made, but some hints can be gleaned from a close reading of the Report. For example, it is not explicitly suggested that provincial welfare be cut back from its expected growth rates. Indeed the Council looks favourably on the movement towards the indexing of these transfers to shelter recipients from inflation, and nothing is said about the post-secondary education transfer or the other provincial and municipal transfer programs, but one has the impression that they are not the Council's candidates for cutbacks.

On the federal side, the Council seems to be in agreement with the recent substantial changes in family allowances which, of course, have had a large effect on the Council's overall figures. (The Council does seem to be concerned with the speed with which these changes were introduced but no suggestion is made that family allowances should be cut back.)

Similarly, the Old Age Security changes including the indexing of these payouts are not criticized. And nothing is said about the expected large changes in the two pension programs, but presumably the Council is not suggesting that such payouts should be reduced.

This leaves the Unemployment Insurance Commission payments, which are projected to increase by some 5% per year. Given the way in which this program is discussed, one can draw the impression that the Council is critical of it.

These then are the transfer programs amongst which the Council recommends a cutback of $4½ billion over the 1973 - 1976 period.

Let me make the following comments on this recommendation:

1. The payouts under two of the major programs, Unemployment Insurance and Social Assistance, are closely related to the number of unemployed at any given time. If the Council is saying that we can spend less on U.I.C. and on welfare because

unemployment is expected to fall, then, of course, one can agree - but the Council's case for cutting back the growth of transfer payments is not framed in this manner.

2. While the Council suggests that cuts from the expected growth of programs under both federal and provincial auspices have to occur, the implication is left that it is provincial programs where the cuts must first occur. This implication is strengthened when it is realized that the Council expects provincial transfer payments to grow by 14% in the next few years, whereas federal transfers are expected to grow only by the magic number of 11%. Is the Council proposing that provinces cut back their transfers to people? If so, it should say so - and if it says so, I would tell it that elected governments decide on expenditure priorities. I would assume that the Council knows which of the transfer programs it wants altered and probably in what precise way - but having decided not to attack particular programs, the Council advances an overall suggestion that the total of all federal and provincial transfer programs should grow more slowly. The policies that lie behind all the transfer programs examined by the Council have been adopted with certain ends in view. Certainly there can be legitimate disagreement amongst governments and amongst observers such as the Council as to the appropriateness of the ends and/or the means undertaken to forward them. If the Council is to be more effective, perhaps it should examine each of the programs from these and other points of view. On the other hand, however, it is my view that it is not useful for the Council to take the entire set of government transfer programs and to suggest simply that they grow more slowly.

Conclusion

Those who have listened to my comments may conclude that I have a number of strong reservations concerning both the approach of the Council in its two recent reports, and of many of the particular points raised in the Reports themselves. They would be right. I would oppose the major recommendation before us from the Council that we instruct our officials to begin to work on producing some three year performance indicators for government expenditures within the framework established by the Council.

STATEMENT ON THE REVENUE GUARANTEE AND INDEXATION

When we last met in May of 1973, detailed consideration was given to a number of the budgetary proposals which your government had put forward a few months earlier.

During the discussions, most provincial Ministers expressed support for your plans to cut federal personal income taxes with a general minimum reduction of $100, but some of us have questioned the maximum reduction of $500.

At the same time, the majority of provinces voiced serious concern about a second tax reduction measure which had been announced in your Budget - the plan to "index" personal income tax exemptions and tax brackets in line with changes in the consumer price index.

This concern did not, of course, center around the stated purpose of the indexing system - to help offset the erosive effects of inflation on real incomes. No one, to my knowledge, has ever disputed this objective.

Where the concern lay - and justifably so, I think - was in the fact that there was little evidence the indexing plan would provide significant help to those whose income positions are hurt worst by rising prices - people in low and average income groups, and especially those with fixed incomes.

More detailed analysis which our province and others have undertaken since last May confirmed our original impressions that the impact of the new indexing scheme will be grossly unfair.

Further evidence to support this conclusion was provided when your government released details of the specific changes which are to take place in tax exemptions and tax brackets for 1974.

According to your own figures, indexing will mean substantial tax reductions for the rich, and relatively little relief for those with low and average incomes. Let me cite two examples. An average family of four with an income of $5,000 will have its taxes cut by $61 in 1974 as a result of indexing, assuming standard provincial rates. That works out to about $5 a month. Now let's look at the benefit to be received by the same-sized family, but which has a yearly income of ten times as much - $50,000. According to your own Department's figures, Mr. Chairman, that family will receive a tax cut of $481 for 1974 - about $40 a month. Now, $40 a month extra to a family with a yearly income of $50,000 isn't much, but I think it would mean a lot to a family with a $5,000 a year income.

And what will happen in 1975? In 1976? In 1977? and in years after that? We already know the answer, because indexation is now a permanent part of the tax system. The indexing system guarantees that every year from now on, the higher a person's income, the larger will be his yearly tax cut.

This inequity is serious enough in the first year, but its compounding in perpetuity represents an apparent disregard on the part of the federal government for the basic principles of fair taxation based on ability-to-pay.

Of course, our government is not the only one to have expressed concern about the regressive impact of the indexing system. The Government of Ontario, for example, has made the same point on a number of occasions and, more recently, the Government of Quebec has cited the unfairness of the system as one of its principal reasons for rejecting it for its own income tax structure.

It is difficult for a provincial Minister to speak out against these measures because it is easy for proponents of the system to obscure equity arguments and to make it appear as if, by criticizing indexing, we are criticizing a tax reduction which will mean substantial benefits to many people.

Hopefully, however, in looking at their first pay cheques for 1974 - which will reveal clearly how little relief indexing will bring for average taxpayers - most people will begin to appreciate the validity of the concerns we have been raising since last spring.

I expect some will say indexing is not really regressive at all. They will probably assert that, on a percentage basis, indexing will mean that people with low incomes will receive higher tax cuts than those with higher incomes. This is an interesting technical argument, but I doubt that it will bring much comfort to a family with a $5,000 income to know that their $61 benefit from indexing represents a larger cut in proportion to their total tax liability than a $481 benefit represents in relation to the tax liability of a family with a $50,000 income.

And now, evidence has become available to indicate that even these kinds of arguments based on percentages break down when examined closely. Our analysis shows that, because of indexing, tax reductions as a percentage of average income actually rise as incomes rise, up to about the $20,000 range - a clear manifestation of the regressivity which characterizes the new system.

Of course, the advocates of indexing have other arguments to make. They also will say, probably, that indexing helps to maintain the basic progressivity of the current income tax structure. Apparently, in this case, they are right - but again, this must be small comfort to those with low or average incomes. And who is to say that the present progressive rates are the most appropriate ones in any case? We have previously criticized the federal government for substantially lowering the top marginal rates applicable to those with very high incomes. Is indexing designed to keep taxes as low as possible for the rich?

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And, there is still another argument to be discussed in relation to the regressivity of the indexing plan and the design of the tax structure as a whole.

It has often been said that governments "profit" from inflation at the expense of the taxpayers and that indexing the personal income tax would put an end to some of the "hidden" tax increases which result from the interaction of increased incomes and progressive rates.

Well, let us remember that the Government of Canada controls over 70% of the federal income tax - the fastest growing revenue source, even with indexing - and continues to levy substantial sales and excise taxes - hidden, indirect taxes - while the provinces, under the B.N.A. Act are limited to direct taxation.

Should the federal government talk to the provinces about fiscal responsibility at the same time as it applies extremely stringent limits on provinces' abilities to alter their income taxes under the tax collection agreements? It is somewhat difficult for a province to exercise full fiscal responsibility in the income tax field when it is limited by the federal government to applying only one rate of personal income tax and one rate of corporation income tax, and when it has virtually no say whatsoever in the make-up of the tax base or, in the case of the personal income tax, the progressive rates.

By its unilateral action the federal government is reducing provincial income tax revenues at a time when these revenues are required to meet growing service needs and to help make possible provincial efforts to reduce the burdens of regressive consumption and property taxes.

Our latest estimates indicate that the government of Manitoba will be expected to forego over $100 million in the next four years to the costs of indexing income taxes in our province. We feel this is too high a price to pay for a tax change which favours the rich over the poor.

We cannot accept, without question, a tax change of this magnitude whose impact is inequitable and thus incompatible with the kind of reformed tax structure we are trying to achieve in Manitoba.

Last year, we expanded our property tax credit program to the extent that it now costs us $42 million a year to finance. In relation to the size of our budget, this is a substantial commitment to the reform of our province's tax system, but we feel it is well worth the cost in terms of directing the largest benefits to the people who need them most - people with low and average incomes - and we hope to expand this program in the future.

But, with a forecasted $100 million total shortfall in our potential revenues by 1977 as a result of indexing, any expansion in this program or others like it will become increasingly difficult to finance. Yet, if it weren't for indexing, we could accelerate our credit program, and undertake other measures to redistribute the tax burden more fairly in our province.

What our government regards as fiscal responsibility is our right to set our own fiscal policy priorities - not to have them imposed upon us. We answer to the people of Manitoba - not to the Parliament of Canada - and we feel our own citizens should be the judge of our own fiscal integrity - not the federal government of the day.

Of course, an easy response by the federal government to these concerns on our part would be to suggest that, if Manitoba does not support the indexing plan in its present form, then it should cease to be a party to the tax collection agreements.

I sincerely hope that this is not the kind of response which the federal Minister will give. Senior governments have worked hard in the last few decades to build a uniform tax system in this country. I hope the Government of Canada will not jeopardize this by refusing to recognize the provinces' valid concerns about the inequities of indexing.

And, I hope the Minister will not offer another very easy response, and one which we have heard before. I hope he will not say that, if provinces find that indexing reduces their revenues too much, then they should go out and raise their own taxes.

I have already suggested our Government's answer to that question - and I think it is the same answer most other provincial governments would give. Should we be expected to increase our sales taxes or to reimpose our health premiums to help pay for a federal tax change which benefits the rich substantially and gives relatively little to others?

If this is the kind of fiscal responsibility the federal government believes is appropriate and justifiable, then it should say so openly. And, at the same time, it should also admit that its own calculations show that the provinces with the weakest budgetary capacities are the very provinces which would experience the greatest revenue losses, in percentage terms, as a result of the indexing system.

Rather than such responses, I hope the federal Minister would ask us to consider any one of several options.

Last May, for example, we suggested to the federal government that it consider replacing the indexing plan with a <u>cost of living tax credit</u> scheme - similar in principle to the income-related property tax credit programs now in operation in Ontario, Alberta and Manitoba. Under such a system, the largest benefits would be directed to those who need assistance most - those with low or average incomes - and the amounts could be raised each year in line with the cost-of-living and would be a greater stimulus to demand which is so clearly needed to create jobs in our country.

A second option would be for the federal government to make certain changes in the administration of its income tax system to permit provinces which did not want to follow the indexing plan to, in effect, "opt out". Under such a system, federal tax would be indexed, but provincial tax would not.

Basically, this is the situation which now exists in Quebec, and I think it would not be too difficult to amend the Income Tax Act, the Fiscal Arrangements Act, and the Tax Collections Agreement to give other provinces the opportunity to exercise the same kind of fiscal responsibility as Quebec, in deciding whether or not they wish to index their taxes. Surely, this would be fully consistent with the responsibility principle the federal government espouses.

Further, we would hope that revised collection agreements would permit provinces some flexibility in rate setting and in introducing new credit programs, and so on - with limitations, of course, to ensure the continuing of a basic uniformity among provincial income tax systems.

Another option - and one which we had originally assumed we would not need to argue for - is compensation for revenues lost as a result of indexing.

In late 1971, provinces were told that if they accepted the "package" of federal income tax changes to be introduced January 1, 1972 as part of their own income tax systems, they would be assured no revenue losses for five years relative to what they would have received had the pre-1972 system remained in effect.

This so-called revenue guarantee was highly significant of course in view of the substantial revenue shortfalls forecast to result from the implementation of the numerous changes which took effect on January 1, 1972.

All provinces which had previously been signatories to tax collection agreements with the federal government accepted this guarantee commitment in good faith and renewed their collection agreements for 1972 and future years.

Naturally, we were surprised, Mr. Chairman, when we learned that your government felt that this change differed from the others made in 1971 and 1972 to a sufficient extent that it should not be covered by the guarantee. We have yet to receive an explanation of any significant distinction other than revenue considerations between the indexing changes and the others which had been introduced earlier that could justify the abrogation of what we had been led to believe was an unequivocal commitment.

I would hope that this conference will help to clarify the situation with respect to the guarantee. We are particularly interested in knowing whether or not any legislative amendments will, in fact, have to be made to alter the present arrangements so that indexing losses could be deducted from guarantee payments.

The final option to be considered relates to both the revenue guarantee and indexing - and the situation which will arise when the guarantee arrangements terminate at the end of the 1976-77 fiscal year.

At our Conference last May, I think most provincial Ministers who had been concerned about the possibility of a substantial drop-off in their revenues after the guarantee period were encouraged when you said:

> "Admittedly the entire subject of the revenue guarantee is complicated, and I will want to consult with each of you over the coming several months, to arrive at some commonly acceptable solution. There is a particularly difficult problem of adjustment for all provinces when the guarantee comes to an end in 1976. I have been giving some further thought to the situation, both immediate and forthcoming. In due course, I would want to consult with you with some concrete proposals."

I would hope that these proposals will be forthcoming reasonably soon.

And if adjustments are necessary in light of the revenue losses resulting from the tax changes which took place in 1972, surely it must be acknowledged that adjustments are also required in respect of indexing - which, in the short run, will result in at least as substantial shortfalls as the earlier changes, and, in the long run, will result in far greater losses.

Quite obviously, this leads directly to the final option - a new set of revenue sharing arrangements which would not only ensure that provinces would receive less than we would have under the pre-1972 system, but also take into account the basic fiscal imbalance which has been revealed time and again in successive studies of the budgetary capacities and requirements of the federal and provincial/ local sectors.

Of course, acceptance of this option - a fundamental reform of revenue sharing arrangements - will be necessary in any case, whether or not any of the other alternatives is adopted.

It can be deferred by an interim compensation agreement or some other arrangement, but at some point - and hopefully no later than the end of 1976 - certain basic adjustments will have to be made. I would hope that we can begin very soon to look at this question in a formal way in order that a major realignment can be effected when the guarantee expires - if not sooner.

To conclude, Mr. Chairman, I would like to return to a point I made earlier concerning fiscal responsibility. Our government has no desire to interfere with the implementation of a taxation policy decision which you have made - for your own reasons - and which has been ratified by Parliament. But, at the same time, I think your Government must respect our right, in turn, to adopt a different policy in relation to our tax system if we feel it is appropriate - and to seek the concurrence of those to whom we are responsible. I hope that it will be possible, through one of the options I have suggested, or some other alternative which you or one of our colleagues may propose, to resolve the indexing problem in a way which is fully consistent with the principle of fiscal responsibility and which also preserves the gains we have worked so hard to achieve in the area of fiscal policy co-ordination.

STATEMENT ON HEALTH INSURANCE FINANCING

Last May, when the Prime Minister and your colleague, the Minister of National Health and Welfare, indicated, in effect, that your Government did not intend to continue general discussions concerning new health program financing arrangements, our Government and a number of others, I suspect, were surprised and disappointed.

Admittedly, an impasse of sorts had been reached in the negotiations, but we did not believe that this warranted an end to further efforts to reach a mutually-acceptable solution to the problem of accelerating health program costs in this country.

Consequently, I was pleased to receive word from you last September which indicated that your Government had reconsidered this position and was prepared to re-open the discussions at this Conference.

Before we learned of your decision, however, all ten provinces had resolved that - with so much at stake in terms of the future health needs of our citizens - efforts must be continued to try to reach a satisfactory new arrangement.

At our May Conference, the provinces had agreed to study your Government's financing proposals once again in the ensuing months. In addition to studying these proposals individually, the provinces decided that it would be valuable if we were to undertake a joint analysis and to try to define more precisely those concerns which many of us had voiced in previous discussions with you and your colleagues.

The results of this joint analysis confirmed our earlier assessment of the proposed financing arrangements which have been before us for consideration during the last few years.

The study showed, for example, that most provinces would experience a serious shortfall in revenues under the G.N.P. - escalator plan compared to the present arrangements - even with the so-called "risk-sharing" modifications suggested last year.

The study also showed that the proposed "thrust funds" would barely be adequate to cover these shortfalls in some provinces, and would be far from sufficient to offset losses experienced in others.

The joint provincial analysis revealed as well that earlier federal estimates of the future costs of existing shared programs were unrealistically low - as Manitoba had suggested at the Finance Ministers' Conference last May.

More important, though, our study provided, for the first time, a reasonably accurate summation of the probable future costs of existing provincial programs and of committed new programs which are not cost shareable at present.

I think that these forecasts, more than any others, have served to illustrate why provinces have continued to reject successive modified versions of the federal health financing proposals.

The simple fact is that most provinces have committed themselves in recent years to improve their services and to bring about greater efficiencies through the introduction of new programs - despite the fact that these efforts were not supported by any cost-sharing assistance from the Government of Canada. Now, the magnitude of these commitments in dollar terms is such that we cannot afford to consider, much less accept, a new financing formula which would give us even less assistance than we are receiving now.

According to the joint provincial study, the ten provinces are now spending a total of over $1.2 billion a year in respect of health programs for which no cost-sharing is available. By 1978/79, it has been forecast that these expenditures will increase to $1.9 billion annually. In addition, commitments have been made to spend over $800 million on new non-shareable programs between now and 1978/79.

Several years ago, our province and others argued that the hospital insurance financing arrangements should be expanded to allow the immediate cost-sharing of less expensive and more effective alternative forms of health care. But, as we all know, this request was turned down.

Since that time, provinces have had two choices - to do nothing, or to try to initiate as many efficiencies as possible. I don't think any province has chosen the first option.

We have all tried to upgrade our programming - and to reduce cost escalation - and we have done it on our own, without federal help, while negotiations concerning new financing arrangements have dragged on.

Now, however, many provinces have come to a point where their options are becoming more and more limited. Already many are finding it necessary to impose stringent budgetary restraints, possibly to the detriment of existing operations, in order to free funds for essential new programs so as to reduce cost growth in the long run. But this situation cannot be maintained indefinitely if our citizens' health needs are to continue to be well served.

We have stressed this repeatedly in our negotiations with the federal government over the past few years, and we hope that now, with concrete forecasts as evidence of our financial requirements, the federal government will acknowledge the validity of our concerns and will commit itself to meeting a fair share of these added expenditures in the future.

Possibly because they feared unilateral action by the federal government, some people have suggested that further arbitrary changes in what is already an arbitrary formula proposal would be sufficient to make the present federal financing suggestions acceptable. In the short run this may appear to be reasonable, but short-term shortsightedness is what led both federal and provincial governments into excessively stringent hospital insurance arrangements in the late 1950's and helped contribute to many of the inefficiencies and cost escalation problems we are now trying to reverse.

Our province believes that the only realistic and equitable long-term solution is to ensure that both senior levels of government bear a fair share of the costs of all forms of health care across Canada.

At previous conferences, I have stressed that the federal government has a clear responsibility to see to it that all Canadians are guaranteed continuing high health service standards - regardless of the region in which they may live. We have argued that this responsibility requires that the Government of Canada make certain that its financial support for health programming takes into account the varying fiscal capacities of the provincial governments which must provide this health care.

We continue to believe in these basic principles and we hope that the federal government believes in them as well. We know that other provinces share our views, because this past summer, during the joint provincial study of health costs, several essential requirements for new federal-provincial cost-sharing arrangements were identified. These requirements are:

1. that each province should receive no less federal financial support than it would have received for the funding of health insurance programs whether under current health cost-sharing arrangements or social welfare cost-sharing arrangements such as the Canada Assistance Plan,
2. that the arrangements must allow the provinces flexibility to pursue programs in accordance with their own particular priorities,
3. that the arrangements must allow for equitable cost-sharing of both the start-up and continuing operating costs of new programs as well as changes within existing programs.

Given the wide degree of provincial consensus on these criteria for evaluating cost-sharing proposals, it should be clear to the federal government that an entirely new set of financing suggestions must be put forward - and hopefully without delay.

APPENDIX G — REVENUE IMPLICATIONS OF FEDERAL CORPORATION TAX REDUCTIONS

FIRST YEAR REVENUE IMPLICATIONS OF VARIOUS CORPORATE TAX CHANGES PROPOSED BY MANITOBA AS COMPARED WITH ACTION TAKEN BY THE FEDERAL GOVERNMENT

(A) "TAX REFORM"

	Federal Action	Manitoba Proposal	Revenue Implications ($ millions)
1)	End corporation surtax	Retain the surtax	+90 (1)
2)	Include one-half of capital gains in income	Include full capital gains in income	+50 (2)
3)	Increase dividend tax credit and include it in income	Eliminate dividend tax credit	+142.3 (3)
4)	Natural Resource Industries		
	a) Replace automatic depletion with "earned" depletion	Eliminate all depletion allowances	+115.5 (4)
	b) Replace 3 year exemption with accelerated depreciation	Eliminate the 3 year exemption with no offsetting provisions	+131.5 (5)
5)	Retain existing system of capital cost allowances	Limit capital cost allowances to actual wear and tear	+343.3 (6)
6)	Reduce corporate tax rate by 1 percentage point per year between 1972 and 1976	Retain the 50% general rate	+127.6 (7) for 1974
(B)	1972 BUDGET MAY 8TH		
7)	All machinery and equipment purchased for manufacturing or processing may be written off in 2 years (former rate was 20% on a diminishing balance basis)	Limit capital cost allowances to actual wear and tear	+529.6 (8)
8)	The top rate of corporation income tax applicable to manufacturing and processing reduced to 40%, low corporate rate via small business incentive reduced to 20% on similar profits.	No special incentives	+247.7 (8)
9)	Expenditures which earn depletion broadened to include all equipment acquired to process mineral ores in Canada. Formerly "processing" expenditures qualified for "earned" depletion only if connected to a new mine or a major expansion. All income from such processing operations is eligible for the depletion allowance.	Eliminate all depletion allowances	+ 71.6 (8)
	TOTAL		+ 1,849.1*

*Since the estimates developed for this table are based on information ranging anywhere from 1968 to 1973, it seems safe to conclude that adoption of the suggested measures would generate in excess of $2 billion per year.

FOOTNOTES

(1) On the basis of 1972 incomes in Federal Government's "Summary of 1971 Tax Reform Legislation." Page 63.

(2) On the basis of 1972 incomes in Federal Government's "Summary of 1971 Tax Reform Legislation". Page 63.
Federal figure was for half inclusion of gains. It should be noted that the same measure applied to gains realized by individuals would increase tax take by $80 million for 1972.

(3) "Taxation Statistics" for 1971 show that $117.3 million was claimed as a dividend tax credit in 1971. The federal change according to "Summary of 1971 Tax Reform Legislation", Page 64, was to cost $25 million more on the basis of 1968 incomes.

(4) This figure represents an average of the amounts allowed as depletion (non-taxable income) for the four year period 1967-1970 against which a 50% tax rate was applied.
Source: Corporation Taxation Statistics.

(5) This figure represents an average of the amounts allowed as exempt mining income over the four year period 1967 - 1970 against which a 50% tax rate was applied.
Source: Corporation Taxation Statistics.

(6) This figure represents the average difference between capital cost allowances claimed for taxation purposes and actual depreciation over the four year period 1967 - 1970 against which a 50% tax rate was applied.
Source: Corporation Taxation Statistics.

(7) Ending the corporate surtax (3% of corporation income tax payable before the old age security tax) costs $90 million per year (Footnote (1)). This means that the surtax is equivalent to a 1.41% tax rate on large corporations (3% multiplied by the 47% rate) and about 0.54% on small corporations. On the assumption that the average effective rate is 1.41%, one percentage point of corporation income tax would be worth $63.8 million.
If the effective rate of the surtax is lower, the estimated cost of a one percentage point cut in corporation income tax would be higher.

(8) The costs of these measures to the federal treasury was estimated at $500 million on Page 9 of the 1972 Budget. Unfortunately no breakdown of this figure was provided. Accordingly, it was necessary to allocate the cost estimate in other ways.

(A) Rate Changes

In 1969, corporations operating in the manufacturing sector (includes processing) reported a net taxable income of $2.8 billion of which $108 million was earned by corporations with taxable incomes of under $35,000. The 5 percentage point rate reduction on small businesses would, on this basis cost $5.4 million while the 9 percentage point reduction on the remaining profits would cost $242.3 million. Thus the total cost of the rate changes would be $247.7 million.

Source: Corporation Financial Statistics.

(B) Capital Cost Allowances

New capital expenditures on machinery and equipment in the manufacturing sector in Canada averaged $2,207 million from 1971 to 1973 (Private and Public Investment in Canada Outlook 1973). At a 20% capital cost allowance rate, $2,207 million in machinery and equipment expenditures would reduce net taxable income by $441.4 million. Under the new two year fast write-off, the reduction would be $1,103.5 million in the first year. Thus the reduction in taxable income in the first year occasioned by moving to the 2 year fast write-off would be $662.1 million. The cost to the federal treasury at the new 30% federal rate on manufacturing and processing would be $198.6 million. In the second year the annual loss to the federal treasury would be double this figure - $397.2 million. This was increased by one-third to allow for the provincial loss.

(C) Depletion Changes

Of the $500 million cost estimate, some $198 6 million is allocated to the capital cost allowance change and $247.7 million to the rate change. This leaves $53.7 million as a cost estimate of the depletion changes. This was increased by one-third to allow for the provincial loss.