

THE LEGISLATIVE ASSEMBLY OF MANITOBA

8:00 o'clock, Monday, February 6th, 1967

MR. SPEAKER: The motion that the House resolve itself into a Committee to consider of the Ways and Means of raising of the Supply to be granted to Her Majesty.

BUDGET SPEECH

HON. GURNEY EVANS (Provincial Treasurer)(Fort Rouge): Mr. Speaker, this is the first occasion on which I have had the privilege of presenting the financial requirements for continuing the development of Manitoba. I approach these responsibilities with a full appreciation of the economic and financial conditions in which this year's Budget has had to be prepared. But every time of challenge offers opportunity to match. This is certainly true for this Centennial period. In Manitoba, opportunities abound for growth and for improvement in the quality of life for our people.

The Government's programs and the economy of the Province interact upon each other. The federal-provincial fiscal conferences of recent months have also been determining factors in the preparation of this Budget.

ECONOMIC SITUATION AND OUTLOOK

The record of economic development for 1966 was one of the best in the history of the Province.

In agriculture, production value climbed to a new high of \$507 million - an increase of 9 percent over the previous year and the highest level ever reached in Manitoba.

Gross provincial income reached a level of \$2.6 billion or 7 percent over the previous high recorded in 1965. Personal incomes rose in aggregate to nearly \$2 billion - 7 percent over 1965. Labour income rose to \$1.2 billion - an increase of 9 percent.

Nearly 98 percent of the labour force was gainfully employed on the average over the year. Virtually full employment was recorded during the months of June through to the end of September. Manitoba's employment experience was better than for the nation as a whole over the entire annual period.

The value of manufacturing shipments established a new record of \$947 million - an increase of 6 percent over 1965. On the former Dominion Bureau of Statistics basis of measurement this would have been over \$1 billion.

New capital investment in Manitoba approached \$627 million in 1966 - an advance of 12 percent over 1965. The manufacturing sector drew a major share of this new capital commitment, recording \$64 million for an increase of 44 percent. Public investments were again a principal factor in capital expansion - in particular, revenue yielding investments by the Manitoba Hydro, the Manitoba Telephone System, the Agricultural Credit Corporation, the Manitoba Development Fund and the Water Supply Board. Other major public investments contributed as well - including the Red River Floodway, the various Centennial projects and other major public works, such as the flood control and water conservation projects on the Assiniboine River.

In the early summer of 1965, the Government of Canada announced a program of restraint on federal building and construction projects to help offset inflation. In the 1966 Federal Budget, further restraints on profits and investment were introduced. Other federal measures followed, including rises in the Central Bank rate and in the cost of mortgage financing, and reductions in building incentives under the national housing policies.

In some regions doubtless the federal action was appropriate. Manitoba was not one of those regions. At our stage of growth, restraint on productive investment could only result in a continuation of underdevelopment. Particularly difficult for Manitoba were the reductions in development incentives as these tend to freeze progress in developing areas.

Mineral production did not reach the high levels originally anticipated due to shortages of labour at critical stages of production. The value of mineral production will reach \$182 million or about the same as last year.

Labour shortages have been evident in other industries as well. The Province is searching for workers. Programs to train and upgrade our own labour force have been given priority.

Residential housing starts were down 8 percent from 1965 to a total of 5,490 units. Federal policies to restrain price increases have played a major role in this slowdown. I hope that the steps taken to modernize the Canadian banking system will make new mortgage funds available

(M R. EVANS cont'). . . to home buyers and to builders. We also hope that the federal government's Central Mortgage and Housing Corporation will be making changes helpful to housing in Manitoba.

Retails sales have advanced by about 6 percent in the past year. With the Centennial celebrations, the Pan American Games and other attractions ahead, 1967 should be a record year for retail trade. Now running at \$1.1 billion annually, sales value has been rising on an average of over 5 percent per annum since 1962.

The estimated return from tourist activity in Manitoba was some \$55 million in 1966 - up \$3.3 million or 6 percent. For 1967, we may confidently expect a record increase.

The Province has had, with its sister provinces in the region, a continuing concern with the trends in population. Transfer of people to larger economic bases in other provinces has always been a factor in periods of high economic activity. This is a feature of recent experience in the mid-western United States as well and this situation is one of the important factors behind Manitoba's insistent demand for federal economic and fiscal policies that help rather than hinder the growth of this region. We cannot maximize our potential except within the context of favourable national policies for our region.

BUDGET PRIORITIES

There will always be limits to what can be done. Governments in Canada are now committing annually nearly one-third of the Gross National Product. There is real concern for the problems which can arise if the public sector uses up too much of the national product. I do not believe there is any arbitrary line above or below which the public sector should be either constrained or given freer rein, but I do hold that there is a particular responsibility for budgets to remain within limits and to reflect the real priorities.

We have held consistently that our Budget reflects the real priorities before the Province - education and manpower training. Basic education and the upgrading of skills and knowledge for our citizens are the keys to continuing economic and social progress in Manitoba. They are also priority needs before the nation.

PRIORITY OF REGIONAL DEVELOPMENT NEEDS

Many of the concerns I have raised at this time are well beyond the ability of provinces to resolve. We in Manitoba are citizens of a province of Canada: we are a part of an economic region within the wider national economy.

Much of our concern is for recognition by the federal government of the need - in the national interest - for sound, balanced regional development. Only through the full participation of all regions in Canada's economic growth can we hope to fulfil our hopes for the second century of nationhood.

The real concern of Government is the well-being of people. This involves implementation of progressive social and economic measures, including education, health, welfare and related services. It involves programs aimed at encouraging communities in which rising generations can plan their careers and live their lives in security and confidence and with opportunity to find the kind of work near at hand that they like to do.

In recognition of these needs, Canadians believe there should be equality of social and economic conditions throughout the nation. By far the best way to achieve this balance is to equalize regional capacities to the maximum extent. Regional development is the basis of true economic and social balance in Canada. The federal government has, thus far, failed to put forward any adequate plan to offset the continuing disparities among the regions of Canada.

DEVELOPMENT INITIATIVE AND OPPORTUNITY

We have before us an opportunity to achieve unexcelled progress in our Province. In particular, the Nelson River development, the new paper mill project and other forest developments, the new mining and smelter operations - all will pave the way to greater fulfillment for the northern part of Manitoba.

Nor has the Government failed to support established growth in the southern areas. Major break-throughs in the chemical industry have been made: chemical fertilizer and estrogen manufacture have become important new industrial enterprises. Other chemical manufacturing and development enterprises are anticipated. Multi-million dollar investment has been taking place for the manufacture of materials required to carry forward the Nelson River project and other major developments.

(MR. EVANS cont'd)...

The Report of the Committee on Manitoba's Economic Future set the outline of this foundation building. The principal targets established for manufacturing have been met and surpassed. This progress has continued toward economic equality throughout Manitoba.

The Manitoba Development Authority has the task of co-ordinating government programs to ensure that Manitoba people and industries derive the maximum benefit from developments in all parts of the Province.

There are other areas as well which will command our energies. We have by no means accomplished all that we have set out to do in respect of providing opportunities for gainful employment for residents in the marginal areas of Manitoba's economy. We will press forward our plans for manpower development with every resource at our command.

We have special concern in respect to our agricultural industry. Only 6,000 farmers out of 40,000 in the Province gross more than \$10,000 income a year - and this represents a net annual income of only some \$4,000. While record production and sales continue to provide welcome support for advancement, the farmer himself must obtain a far better share of the benefits. Agricultural efficiency must be increased in Canada at the pace necessary to maintain a competitive position in world markets. The solutions to many problems facing farmers are difficult to develop or apply. The federal government must accept major responsibility for advancement of an effective national agricultural policy for adequate farm incomes. Only the federal government possesses the financial resources adequate to find the solution. We have called for a national conference to tackle this and other pressing agricultural problems.

THE PRIORITY OF RESPONSIBILITY

The Cabinet has directed that strong new efforts be made to ensure the maximum effectiveness of Provincial Government spending. Ministers of all Departments have readily accepted this responsibility. Each Department has been asked to examine anew its programming to determine priorities in the light of goals to be achieved.

The Treasury Board is being reorganized to ensure that Manitoba tax dollars are being used to maximum advantage. Prime objectives of the Board continue to be to eliminate and to prevent duplication and over-lapping. The aim is economy and efficiency in administration, to make every public dollar go the furthest possible distance. The effective use of our resources has never been a more urgent necessity than is the case now. The urgency can only increase as we move forward.

REVENUE AND EXPENDITURE - FISCAL 1966

In this Budget, I have simplified all references to provincial fiscal periods. For example, I identify the Provincial Government's present fiscal year, beginning April 1st, 1966, as fiscal 1966.

Revenues: Fiscal 1966

The total estimate of revenues for the present year was \$276,164,501 before carrying forward the surplus from the preceding fiscal year. With ten months behind us it now appears that revenues will amount to approximately \$281,500,000. After retirement of approximately \$5.2 million in provincial debt, and other year-end adjustments, the final surplus carried forward from the 1965 fiscal year was \$15,300,000, bringing the funds available for the present year's current account operations to \$296,800,000.

Expenditures: Fiscal 1966

Available information shows that the expenditure estimate of \$298,000,000 will be exceeded in the present fiscal year. The Red River Flood and all expenditures associated with the blizzard of last March could not have been foreseen. Rising prices for material and labour added to the cost. In addition, there were non-recurring expenses in connection with the Pan American Games and the Provincial election. The federal government's welcome advance of a \$5,000,000 "progress" payment in respect of 1966 Flood costs scaled down the total increase over estimated expenditure. However, present indications are that expenditures in fiscal 1966 will be \$11,000,000 higher than estimated. In aggregate, increases and decreases in expenditures over or under the estimates bring the latest estimate for fiscal 1966 to \$308,800,000.

Since we are about to embark on a new system of school financing, I propose to discontinue the practice of accruing expenditures with respect to our former school grants and other aids. With the \$12,200,000 school grant accruals no longer being charges to revenue account, the shortfall on fiscal 1966 operations is converted to a small surplus.

(MR. EVANS cont'd)...

DOMINION-PROVINCIAL RELATIONS

The Findings of the Tax Structure Committee

The Tax Structure Committee was established in 1964, with the strong support of the Premier of Manitoba, as a Committee of Ministers to examine the trends to be expected in public expenditures by the federal government, the provinces and the municipalities. The Committee studies were also to provide forecasts of revenue. Consideration of priorities was a special subject advanced by the Premier of Manitoba for inclusion in the Tax Structure Committee's terms of reference. It was a sharp disappointment to find that these proposals by the Premier were not acted upon.

The facts in the studies were accepted by all concerned. No principal statement was ever seriously challenged by the participating governments. The studies indicated that, for all levels of government combined, existing programs and present commitments alone would produce an excess of expenditures over revenues of between \$1.5 billion and \$2.0 billion by fiscal 1971. Many new programs are likely to be introduced during this period. Yet the federal government, taken alone, would enjoy a budgetary position moving towards a balance whereas the provincial-municipal level of government would incur nearly all the rapidly rising excess of expenditures over revenues.

In fact, on the basis of existing commitments, the Government of Canada indicated, in its own figures, that its budget could be expected to show a surplus of between \$325 million and \$725 million by fiscal 1971. The provincial-municipal projection, on the other hand, shows a deficit for that year of some \$2.5 billion. The deepening difficulties of the regional governments are clearly illustrated by this projection of rising deficits. In large measure, the provincial-municipal deficits can be attributed to the essential education commitments. Education is a national need, but a provincial responsibility.

Following the presentation of the Tax Structure Committee findings, it becomes obvious that the first fiscal priority before the nation must be to remedy the financial imbalance between the federal government and the provincial-municipal sector of government. The findings of the Tax Structure Committee prove the provinces' case for a larger unencumbered share of the direct taxes on incomes, profits and estates. These are joint fields to which the provinces have as much right as the federal government. It is manifestly unjust for anyone to interpret the provincial-municipal position as being formulated around "demands" or "raids" on the national treasury.

Fiscal Arrangements

At the end of October, 1966, the plenary session of the Federal-Provincial Conference reconvened in Ottawa to resolve the problems in respect to the allocation of public financial resources. Canada was not prepared to allow an unconditional increase of personal and corporate income tax for general provincial purposes as had been provided for the past two fiscal periods - an increment of 3 percentage points of federal income tax withdrawal has been extended in each year. Canada did increase its withdrawal from these fields from 24 percent of tax on personal income to 28 percent in fiscal 1967, and from 9 percent of taxable corporate earnings to 10 percent in fiscal 1967. The terms of the collection agreements were extended for an interim period of two years. But - and I underline this most strongly - this does not represent new unconditional revenue because the additional points are tied to the federal proposals concerning post-secondary vocational training and university and college support. Nor does it represent net new revenue as federal withdrawal from various former programs previously provided constitutes a very large offsetting loss to the Province and its institutions.

The federal government has offered to share 50 percent of selected operating costs for universities and colleges and for post-secondary vocational training. At the same time, the federal government has withdrawn its financial aid formerly directed to our universities and colleges and its support for certain categories of technical and vocational training. Other costs of providing manpower training for restricted categories of adults have been taken over by the federal government. When we first examined these proposals indications were that the Province might gain a net of \$3 million in federal assistance. But there were many uncertainties. Since that time, further modifications and clarifications have been made. There are still important elements under negotiation. It now looks as though the net gain to the Province may amount to several million dollars more, but far less than the apparent yield of the federal

(MR. EVANS cont'd)...personal and corporate income tax abatements and residual compensation transferred for these purposes.

Moreover, the federal proposals concerning education support do not mean that Canada will pay 50 percent of the true costs of vocational, technical and university education. In fact the federal government does not intend to pay even one half of the actual operating expenditures for institutions of higher learning. As for the very large capital requirements of universities and colleges, the provinces are left to support the major portion. Ottawa insists that its aid - less than half the actual operating costs - is also intended to meet a share of universities' and colleges' capital needs. Federal capital aid for technical and vocational training is being phased out, as well.

The Province must continue to provide the basic capital support for its universities and colleges and a major share of operating support as well. In the current estimates we are providing \$26.3 million in direct provincial aid to the universities and colleges - \$10 million more than the entire gross receipts we now estimate as coming from Canada under its post-secondary fiscal arrangement.

Frequently in the past, the federal government has taken the initiative in offering shared-cost programs in fields of provincial responsibility. However, the federal government now has stated its intention to abandon the shared-cost concept and, with it, the shared-cost programs. But costs in the abandoned program areas continue to escalate and the provinces are not able to bear this burden alone. We do not feel that the federal offers of compensation have been equitable as they do not cover the growth in costs that can be foreseen.

The federal government has also abandoned the basis on which fiscal equalization has been developed over the past 25 years. These are principles to which the present Government of Canada has repeatedly pledged support. In the past, equalization has been based on the yields of taxation on personal and corporate incomes together with succession-estate transfers and - in some degree since 1961 - natural resource earnings. Equalization was produced by bringing the per capita yields in each province up to the two wealthiest provinces in the country.

Equalization now will be based on a very complicated formula incorporating all common sources of revenues among the provinces. This so-called measure of revenue capacity is equalization not against the average of the two wealthiest provinces but against the national average. The inclusion of all common sources of revenue does not provide a meaningful measure of wealth-generating capacity or ability-to-pay.

The new federal formula has preserved Manitoba's current amount of equalization payment temporarily, with every likelihood that this will decline. The formula has done nothing to help "average" provinces catch up to the wealthier provinces in the country. True equalization can never be achieved at a level halfway up the scale - by definition some provinces must always remain above that level and no progress is made towards making all provinces equal. Equalization can be achieved only at the top.

The following table presents the revenues Manitoba expects to receive under the new tax agreement in fiscal 1967. For illustrative purposes, we have made a comparison with what the Province would have received had the former agreements been carried forward into the 1967 fiscal year. Honourable Members will appreciate the concern expressed to the federal government by this Government, inasmuch as the Province will receive an estimated \$7.8 million less than would have been the case on the former basis.

... continued on next page

(MR. EVANS cont'd).....

Comparative
Canada-Manitoba Tax Collection
and Fiscal Arrangements Receipts*

Comparative Fiscal Position, 1967*

	<u>Based on Projection of Former Arrangements</u>		<u>Based on New Arrangements</u>	
	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>
Personal Income Tax	(32%)	\$54,708,000 ¹	(29%)	\$49,580,000
Corporation Income Tax	(10%)	21,949,000	(10%)	21,949,000
Estate Tax	(75%)	<u>3,288,000</u>	(75%)	<u>3,288,000</u>
Total Shared Taxes		\$79,945,000		\$74,817,000
Equalization		<u>32,168,000</u>		<u>29,489,000</u>
Total Shared Taxes and Equalization		<u>\$112,113,000</u>		<u>\$104,306,000</u>
NET LOSS TO PROVINCE				<u>- 7,807,000</u>

* Excluding the additional percentage points of federal personal and corporation income tax withdrawal designated for post-secondary and vocational training programs.

(1) Assumes the additional 3 percentage points of federal withdrawal from personal income tax which became an annual increment under the former agreements in 1964.

In addition, the federal government has proposed a new revenue stabilization measure. Under this scheme, the federal government would pay stabilization grants to any province whose revenues, at constant tax rates, were to fall by more than 5 percent from the prior year's receipts. This permits the federal government to step down, by 5 percent each year, the level of support for provincial revenues in a period of recession - the very time when provincial responsibilities for social services would be most onerous. The Province expressed concern that the 5 percent margin was too wide in view of the continuing acceleration of provincial program costs.

On the whole, we are extremely disappointed with the new federal-provincial tax proposals. In the face of real and mounting costs - confirmed by the Tax Structure Committee - we had logically expected much greater federal assistance. We recognize the federal government's requirement to meet its own responsibilities. We do not expect federal assumption of our provincial responsibilities. But the fact remains that the financial position of the central government is expected to remain advantageous while the provinces, already deficient in resources, will become increasingly hard-pressed. This is not a satisfactory sharing of a common burden.

It is the intention of the federal government to review the fiscal agreements after the Report of the Carter Commission on Taxation has been considered. In the meantime, Manitoba has asked for immediate reconsideration of provincial financial requirements. The Premier has called for a new fiscal conference immediately.

I will table, as an Appendix to this Budget, the Statement on behalf of the Province of Manitoba before the Plenary Conference last October.

PROVINCIAL TAXATION POLICY

The Tax Structure Committee revealed the rise of costs in the provincial-municipal sector. Economic and social developments fall most heavily upon the regional governments and Manitoba has felt these rising costs. Education and health, in particular, have required major increases. This Budget reflects these facts.

(MR. EVANS cont'd)....

The programs being continued and expanded are essential. The new plan to help schools and local school taxpayers; increased university and college aid; technical and vocational education; and the other elements of the Education and Manpower priority require some \$36 million more in fiscal 1967. Health requires another \$13.6 million, mainly for sharply rising hospital costs.

We made stringent examination of every program of the Government. Wherever possible, we have deferred implementation or held down programs of lesser priority.

The Government then looked again at the programs of top priority. We looked for possible cuts in these programs. But, in the fields of highest priority - where the costs are greatest - what could be cut? What commitments could we reduce? Where could we hold the line?

In this Budget, under education and manpower development, the University of Manitoba will receive some \$22.4 million in fiscal 1967. This is nearly \$10 million more than the Province provided in support to the University in fiscal 1966. But the federal government has withdrawn some \$3.9 million in direct grants and the University will realize only \$5.6 million in new money. Could the Province have reduced its support in such circumstances?

Brandon College - nearing University status - will receive some \$1.9 million support from the Provincial Government for fiscal 1967 or better than 50 percent more than in 1966. Yet, after withdrawal of the former federal grant, this means less than \$500,000 new income for Brandon College. Could we have reduced this commitment?

The Affiliated Colleges will receive \$1.9 million from the Provincial Government in fiscal 1967 - but they will lose over \$1 million in federal grants now withdrawn. Thus, while the Provincial grant has been increased nearly ten times over fiscal 1966, the Affiliated Colleges will receive only a little better than \$600,000 increased aid. Could we have reduced this support?

Nor could we reasonably reduce our commitments to technical and vocational training when Manitoba industry is already experiencing critical shortages of skilled labour.

The Government might have chosen to leave the main burden of increase in local education costs with the homeowner. This we would not do.

In the health field, the Government could not refuse to meet rising hospital costs. The need for effective health facilities is inescapable. The Hospital Commission has, therefore, been allocated the major share of the increase for health programs in fiscal 1967.

After the most stringent economies in all programs, we have been left with these increased needs. The needs must be met.

Existing revenues could not meet the costs of education, health and other basic requirements for Manitoba's development. The failure of the federal government to base the tax-sharing arrangements upon the findings of the Tax Structure Committee has meant that Manitoba must find the necessary increased revenues within its own resources.

Of course, the Government considered all of the tax fields open to it. The required amount of new revenue could not have been raised by increasing any single tax nor from any combination of practicable tax increases in fields being generally utilized in Manitoba. Rates must be kept about the same in all the provinces, otherwise we return to the "tax jungle" of former times. Balanced growth in such circumstances would be impossible. Rates of income tax, corporation tax and gasoline tax in particular must not be allowed to rise too much above those in other jurisdictions.

The Provincial tax rate on personal incomes would have had to be nearly doubled if this field had been selected to raise the annual amount necessary. The corporation tax in Manitoba would have had to be tripled. The gasoline tax would have had to be raised from 17 cents to 43 cents a gallon. Nor would any combination of these taxes provide an acceptable solution.

No province - certainly not a developing province - can afford to impose excessive rates. People would be driven out; industry would find it impossible to operate.

Taxes on natural resources in Manitoba are now comparable with those in other jurisdictions. Again, we cannot levy rates much higher than elsewhere, and still expect to attract development capital.

We must wait for the Carter Report for any further consideration of a capital gains tax because of present constitutional and practical problems. But, in any event, our own estimates indicate a very modest potential revenue for Manitoba - perhaps \$2 million to \$3 million a year. Certainly the capital gains tax does not offer an adequate alternative source of new revenue.

(MR. EVANS cont'd).....

We must also await the Carter Report in respect of estate tax or changes in the tax status of co-operatives. Here again, any possible new revenues appear certain to fall far short of our requirements.

Regretfully, we have come to the conclusion that a general sales tax is the only choice open to the Government. The measure we propose, in a Bill to be introduced at this Session, will provide for a levy of 5 percent on the retail price of taxable goods and services. In order that the burden of taxation be ameliorated with regard to low income groups, exemptions will be proposed in respect of food and lodgings other than of a transient nature. Exemptions will also be given to children's clothing and footwear. Further exemptions will be provided for such items as prescription drugs, dentures, hearing aids, eye glasses, etc. Such commodities and services as are taxed under The Tobacco Tax Act, The Motive Fuel Tax Act, The Gasoline Tax Act, The Amusements Tax Act and Part I of The Revenue Act, 1964, will be exempt from tax under the proposed legislation.

The legislation will also provide exemption for agricultural equipment, seeds, certain animals, farm fertilizers and other production essentials for the farm economy. Similarly, equipment required by commercial fishermen will be exempt. Capital equipment for industry will not be taxed.

The main exemptions for goods are set out in an Appendix to this Budget Address and I have also listed the main services which we propose to tax. Real property will be exempt from taxation under the proposed legislation, together with labour costs of construction. Construction contractors and builders will be regarded as consumers of any tangible personal property which they incorporate in real property and will therefore pay tax on the building materials they purchase. In order to overcome difficulties in respect of fixed price contracts entered into before the announcement of the tax, we will provide for the alleviation of hardship in respect of tax paid on materials incorporated into real property under fixed price contracts entered into prior to February 1st, 1967.

The proposed legislation will apply to goods and services purchased for consumption or use within the Province, no matter where purchased, and provision will be made to ensure that goods purchased outside the Province do not gain any tax advantage over goods sold by Manitoba enterprises. The tax will be collected by vendors making sales inside the Province, from purchasers of goods and services in the Province of Manitoba. We will seek the co-operation of vendors outside of Manitoba who make sales to residents of this province. Vendors will become agents of the Crown for the purpose of collecting the tax.

In recognition of the essential service that the business proprietors will thus be performing for the Province, it is intended to provide a commission as compensation.

Most business enterprises will have to make some adjustments to carry out the duties they will assume under the proposed legislation. In order to provide a reasonable time for these adjustments, the taxation will apply only to goods delivered or services rendered on or after June 1st, 1967. I estimate that the yield for the portion of the fiscal year 1967 in which the tax will apply will be between \$33 million and \$34 million. While the tax will come into force on June 1st, 1967, only nine months' actual collections will be received in the first year. In a full year, I estimate a yield from the general sales tax of some \$45 million.

The new impost will be called the Manitoba Education Tax. The major factor in the increasing cost of regional government responsibilities is, without question, the education priority. The Tax Structure Committee projections showed this most clearly for all provincial-municipal governments. In Manitoba's Budget, more than one third of the total of expenditure is committed to education, and the greatest increment year by year occurs in this field. General sales taxation is a field that is common to all, to finance commonly shared responsibilities. Education is clearly such a responsibility.

A general sales tax, when sound exemptions are provided, is not regressive. On the contrary, with basic necessities exempted, as in the Manitoba legislation, a general sales tax falls with reasonable equity on all. Those with greater capacity for purchases beyond the staple necessities will pay more. I wish to quote a universally acknowledged authority on sales taxation in North America, Professor John Due. In his book, "Provincial Sales Taxes", published by the Canadian Tax Foundation, Professor Due cites the following conclusions of studies in respect of sales tax and its impact (1):

(MR. EVANS cont'd).....

"Except at the lowest and highest income levels, the distribution (of the tax impact) is surprisingly proportional. There is some tendency toward regressiveness at the higher income levels....

"When food is exempt*...the regressiveness (of the sales tax) is largely eliminated... Food exemption* largely eliminates regressivity because the lower income groups concentrate a high percentage of their incomes on food."

* Food is to be exempt in the Manitoba Legislation, other than for restaurant meals above \$2.00.

(1) Pages 106-107, "Provincial Sales Taxes", John F. Due; Published by the Canadian Tax Foundation.

Tax Relief

I now announce a very different taxation change. The Government has given long consideration to the farmers' dilemma of constantly increasing production costs on the one hand and a narrowing price opportunity on the other hand. The agricultural cost-price squeeze is such that no part of the community can escape the serious consequences.

In a period of rising food costs, it is obvious that, in addition to exempting food from sales taxation as we intend, the Government should take whatever steps are open to reduce further the cost of food production. Therefore, we propose to extend exemption from gasoline taxation to cover use in farm trucks. This new exemption will have effect from May 1st, 1967. This measure will apply throughout the year, and should have a direct effect in reducing the cost of farm production - thereby benefitting farm families and consumers alike.

No other tax changes are contemplated by the Government for fiscal 1967.

REVENUE AND EXPENDITURE - FISCAL 1967

I expect a continuation of general progress in the economy for 1967, albeit at a moderated pace. At the same time, the pressures of rising costs for materials and skilled personnel will be felt in the Budget. There are, furthermore, the necessary commitments to priority programs in education and health and in economic resource development.

Revenues: Fiscal 1967

I estimate for the fiscal year 1967 revenues of approximately \$353 million. Honourable Members will recognize that this is an increase in revenue of nearly \$77 million over last year's original estimates. The greatest increase arises, of course, from the new sales tax which we expect will yield \$33,750,000 in the fiscal year. Increased revenues came from corporation and personal income taxes, automobile registrations, drivers' licences, and liquor sales. I should read that sentence again. Increased revenues come from corporation and personal income taxes, automobile registrations, drivers' licences, and liquor sales.

Expenditures: Fiscal 1967

The expenditure program of the Government is already before you - total expenditures are estimated at almost \$354,600,000. It is essential to implement further advances in many provincial programs of unquestionable need for our citizens and for their children. Education and health have the prior places. Other economic and social support programs, and especially those aimed at stimulating new enterprise and the creation of wider opportunity - these, too, must proceed to the fullest extent permitted by the resources available.

I shall not attempt to report on all activities undertaken by Government Departments inasmuch as this will have been done by the respective Ministers. I will later provide a Departmental supplement for distribution with the printed Budget Statement. However, some comment and comparative data illustrating the contribution and expansion of Government programs will set the current expenditure estimates in a proper framework.

The Government is now directing 34 percent of the provincial budget to education alone. The Foundation grant and educational cost-sharing program itself will add some \$13 million to the expenditure program this year. The Province will direct 59 percent more assistance to the universities and colleges. Over \$5 million will be provided for the Applied Arts Institute. Since 1958, enrolment in elementary classes has risen 21 percent; enrolment at high school level has risen 87 percent; enrolment in vocational and technical training has increased by 498

(MR. EVANS cont'd)... percent; and university and college enrolment has grown by 140 percent.

Since 1959, the cost of running the hospital program has more than doubled. Average per diem hospital costs have increased 88 percent. These costs continue to rise and this trend is giving considerable concern.

This will be the first full operating year for the Canada Assistance Plan. This will mean needed new support for the unavoidable increases in expenditure by the Government. Institutional costs in homes, hospitals and care facilities have risen sharply in the last year. Hospital coverage is extended without charge to some 60,000 persons - last year. Over 27,000 elderly persons and social allowances beneficiaries receive complete services without cost under the Manitoba medicare plan.

Other noteworthy expenditures by the Government will include:

- Provincial forestry programs from which the federal government has withdrawn its long-standing support - \$500,000 last year.
- The \$42.7 million to be invested in the continuation of highways maintenance and development program.
- Some \$10 million in respect of all programs providing support for industrial, commercial and recreational services.
- An estimated \$1.5 million for land acquisition and construction of public housing chiefly in respect of the Lord Selkirk Park Urban Renewal project. This site when completed will provide accommodation for 1,343 persons in 328 units.

On the basis of the aggregate indications of revenue and expenditure, I estimate a deficit on current account of over \$1,500,000 for the fiscal year 1967, even after we have made every endeavour to hold expenditures down. In the course of the year, we shall continue to exert maximum effort to ensure effectiveness in our budget control.

CAPITAL PROGRAM

In the \$354 million current program for fiscal 1967 represented in this Budget, some \$59.8 million will be expenditures of a capital nature to be paid for out of current account.

In addition, we will be spending \$8.8 million on capital account to complete the Red River Floodway, and for major construction on the Assiniboine Projects. The related capital supply request will total \$6.5 million after allowance is made for authority already voted. We will, of course, require extra authority for some of our utilities and other self-sustaining agencies. There will be further borrowing needed for these latter investments.

The capital program represents a continuing development of assets and facilities which become part of the real wealth of the Provincial community. For fiscal 1967, \$68.6 million will be spent on direct government account for capital purposes.

Education, as we have stressed, carried a first priority into this capital expenditure program. Some \$26 million for school, university and college building projects are included. Facilities for vocational training, technical education and practical industrial manpower projects are also included in this figure.

Included in the capital program are substantial sums for continuing investment in roads, highways, water control and essential public facilities required for service operations. Urban renewal, elderly persons housing, hospital and other health facilities are covered. Drainage and water supply, conservation, parks and recreation, and a variety of resource projects are important components of the capital investments scheduled for 1967.

DEBT POSITION

General Debt

Honourable Members will be interested in the new debt statement. It shows that as of December 31st, 1965, our net general debt was \$192,943,000 and that it dropped to \$178,628,000 by December 31st, 1966. In other words, Manitoba's net general debt has been reduced by over \$14,000,000 in this period. This reduction was made with funds derived from current account, from sinking funds and from other funds provided for retirement of debt.

With the \$8,800,000 to be borrowed in the coming year for floodway and diversion projects, the debt will still remain below the figure of a year ago.

(MR. EVANS cont'd)....

Guaranteed Debt

The Province finds it necessary from time to time to guarantee the debt of school districts, municipalities, hospitals, our Hydro and Telephone System and other government agencies. Honourable Members will note that this guaranteed invested debt has risen from December 31st, 1965, to December 31st, 1966, from \$408.4 million to \$484.8 million.

SELF-SUSTAINING INVESTMENTS

This is a measure of some of the developmental expenditures that must be made if we are to progress as a Province. There are of course assets to offset this growth in debt. New power plants and systems and new communication plants throughout the Province have been put in place. In fact, were we to sell our utilities at their approximate book value as of March 31st, 1966, we would realize \$635 million, which is more than our entire guaranteed debt outstanding. Replacement values would be even higher.

We are entering on a heavy new developmental expenditure in our public utilities field. The Nelson River project announced last year is under way and while it will not need new authority, Manitoba Hydro expects to borrow \$67 million more in the new fiscal year. The Telephone System will require new authority of about \$20 million for new investment in the next year. A substantial part of this will be related to growing development in the north and throughout the length and breadth of Manitoba. The Agricultural Credit Corporation will need to use new funds amounting to about \$5,000,000 to strengthen further the investment in the very important farming area.

While it is not always easy to find money, I am pleased to report that, in the last week or more, there have been some marked improvements in the bond market. The United States and the other major countries in the western world of finance now appear to be intent on a general lowering of interest rates. This is a welcome change from the very high interest rates of last year and we can only hope that the trend continues.

It was quite clear at our most recent federal-provincial conferences in Ottawa that Manitoba and all the other provinces face very considerable borrowings in this year and in the years ahead. This problem may be eased somewhat by further readjustments of the tax-sharing arrangements between the provinces and the municipalities on the one hand and the national Government on the other hand. However, at the moment we, like our sister provinces, can only welcome a lowering of interest rates because much more money is needed for social and developmental investments in the provinces and the municipalities and those investments which must be made.

This Budget has been framed in the restrictive financial circumstances imposed on the provinces and municipalities by refusal of the federal government to share equitably the joint tax fields.

The Government of Manitoba, therefore, has reviewed its programs in the most stringent terms. Priorities were set to meet the basic requirements of the Province. The principle of need has been maintained as far as possible in shaping our policies. At this point, I wish to quote from Manitoba's statement at the recent Federal-Provincial Plenary Conference.

" We can expand programs to improve the quality of living only if we give more recognition to the concept of need. There is no need to subsidize the wealthy. There is a need to concentrate our efforts on those who need help."

These concepts have been scrupulously applied in the social policies of the Government as far as possible. Education and health and other developmental expenditures were each given their proper place. In making the necessary decisions, we have stressed soundness in financial and economic programing. This has meant that some programs with strong claims have had to be placed in lower priority this year.

Against a background of substantial progress and prosperity in the Province, I am optimistic about Manitoba's future. Our achievements have been reflected in growing strength of activities related to agriculture, trade, resource development and related industries and services. Our aims, as expressed in the Report of the Committee on Manitoba's Economic Future, have always been high and we have new and growing confidence that we will realize our aspirations for the Province.

However, I wish to underline some of the considerations which must be given full recognition in present circumstances. We are experiencing a period of rapid acceleration in the cost

(MR. EVANS cont'd)....of providing public services. This is part of a trend in North America and any containment of these mounting costs involves wider controls and influences than can be exercised by any one region or one provincial government. Economic prosperity in Europe as well as in North America continues and the demands for investment capital are running high. Manitoba must compete with all other public and private enterprises for necessary capital requirements.

Thus, while I expect a good level of economic activity to continue in the year ahead, we must move our public programming forward carefully and with particular regard to the trend in the provincial-municipal budgetary position forecast by the Tax Structure Committee.

In Manitoba we are in the midst of rewarding challenge which should fill us all with enthusiasm for the future. We have growing wealth and more potential for progress than ever before. However, to clear the shoals and maintain a steady course, we must exercise restraint and firm judgment. This Budget reflects this Government's regard for the sound development of the Province. We shall not forfeit future progress by complacency or lack of awareness of the problems before us.

Mr. Speaker, I beg to move, seconded by the Honourable the Attorney-General that Mr. Speaker do now leave the Chair and the House resolve itself into a Committee to consider of ways and means of raising of the Supply to be granted to Her Majesty.

MR. SPEAKER presented the motion.

MR. MOLGAT: Mr. Speaker, I beg to move, seconded by the Honourable Member for Lakeside that the debate be adjourned.

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

MR. LYON: Mr. Speaker, I wonder if the Honourable Provincial Treasurer might now have leave by members of the House to proceed another stage or two with the supplementary estimates that were laid before the House last week.

MR. SPEAKER: Does the Honourable Minister have leave?

MR. MOLGAT: We are prepared to proceed with the first step Mr. Speaker, and that is the discussion of the estimates.

MR. EVANS: Mr. Speaker, I beg to move, seconded by the Honourable the Attorney-General that Mr. Speaker do now leave the Chair and the House resolve itself into a Committee to consider of the Supply to be granted to Her Majesty.

MR. SPEAKER presented the motion.

MR. MOLGAT: Mr. Speaker, before the question is called, I rise on a matter which I think is of extreme importance to the people of the Province of Manitoba. I hope you'll excuse me, Mr. Speaker, my voice is off this evening. But I rise because the news that came to me during the supper recess, I consider of extreme importance. They came to me after the discussion of the estimates of the Honourable the Minister of Health. I understand that the entire Board of the Winnipeg General Hospital has resigned, that the citizen members of that Board are not satisfied with the way in which their conduct of the affairs of that hospital has reflected by the Budget that they have established. This budget was turned down by the government; there have been numerous appeals by the Winnipeg General Hospital; there's been a great deal of publicity over this situation. For some months, there's been a great deal of concern about the situation at the hospital, the fact that beds were not in use -- this was confirmed by the Minister himself just a very few days ago. And now the information that I get is that the Board, the citizen members of that Board, have decided that they cannot continue under these circumstances. This, Mr. Speaker, reflects directly on the government of this province. We heard from the Provincial Treasurer tonight as to the needs for priorities and how the question of education and manpower came first. He didn't speak at that time about the priorities of health but this government accepted the priority of health when sometime ago the Manitoba Hospital Services were set up and when we collect from every citizen in this province on a compulsory basis, a hospital premium, then this province accepts the responsibility at the same time of providing services. Now those in my group, I don't know about my friends to my left, they have different views than ours insofar as public ownership, those in my group believe that the more we can leave in the hands of the citizens to run for themselves and not have the government run, the better.

Here is a case where a citizens Board was administering this hospital on a voluntary unpaid basis and after many months of negotiation with the government, they find it impossible to continue. This, Mr. Speaker, is a most serious matter. I don't know how this government can speak about priorities when faced with a situation like that one. It's not one that has suddenly

(MR. MOLGAT cont'd)....erupted, it's not as if the Minister can say well I didn't know, this happened all of a sudden. He has been warned for some months. Members on this side of the House during the course of his estimates questioned him very closely on this subject; we questioned him very closely on the subject of his Budget for the Manitoba Hospital Services Plan. He couldn't give us very little information at that time, I in fact in his initial introduction of his estimates the information given there was well, to call it scanty is to give it great credit. When we came along to the estimates themselves, after considerable prodding from my colleagues on this side of the House, the Minister finally agreed to stand those estimates until he was able to provide us with further information.

Mr. Speaker, I believe that we cannot wait for any further explanation from the Minister. Faced with this sort of a situation, I think we must have a complete statement from the government as to exactly what it is that they propose to do.

MR. ROBLIN: Mr. Speaker, I am glad to add what I can to discussion of the question that has been raised respecting the Budget of the Winnipeg General Hospital. I must start by saying that if the news is correct, that the Board of Governors have resigned, I don't know about it because no one has seen fit to tell me. And furthermore, in view of a meeting that I had, the one and only meeting that I've had with the Board of Governors on Saturday morning last, I must say that if the news proved to be true, I am indeed surprised.

Now let me tell the members of the Chamber, Sir, something which I'm sure they must already know, and that is the responsibility for dealing with the budgets of the hospitals of the Province of Manitoba is by statute, by statute entrusted to the Manitoba Hospital Commission, and every year they receive the budgets of the 80 odd hospitals in the Province of Manitoba and they review them. Naturally the hospitals put in a budget which they deem to be realistic from their point of view, but it is the duty of the Manitoba Hospital Commission to review them and to see whether any economies can be effected. And if it is possible to effect any economies to propose that that should be done. Now this system has been working for some nine years, Sir, and it has worked reasonably well, even though over that period of nine years the costs of running the hospitals have more than doubled. So one can understand the anxiety of prudent administrators to keep the costs within the most reasonable bounds. That follows. I don't think that anyone should criticize the Manitoba Hospital Commission because they have tried to exercise due economy, and at the same time to reach some arrangement with respect to hospital costs that are acceptable by the hospitals concerned.

Now this procedure has been going on for years and sometime in 1966, toward the end of the year I suppose, the General Hospital, among the rest of the 80 hospitals in Manitoba, submit their budget to the Hospital Commission and there is laid down a regular negotiating procedure. The negotiating procedure calls for the hospitals in the first instance to submit a budget, then the Hospital Commission reviews that budget and proposes a new figure to the hospitals concerned. If the hospitals concerned don't like the changes, they have the right to appeal it, first to the technicians of the commission then to the full commission itself, and if I'm correctly informed, to the Minister of Health as well. Now as I understand the matter, the dispute with respect to the Winnipeg General and the Hospital Commission has reached stage one or stage two. That is, they submitted their annual budget - and I think it was from some \$14 or \$15 million dollars, something of that sort, a rather substantial sum, a very considerable increase it was thought over the previous year. It was reviewed by the Hospital Commission and they asked for certain reductions. It is at that stage that the Board of Governors of the General Hospital apparently became impatient with the procedure or impatient with the commission, whatever the reason was - and I am not being critical of them because I am quite sure that they acted with the best good faith. They asked for a meeting with me and I had the pleasure of meeting with them for quite a considerable period last Saturday morning in endeavour to find a just and equitable solution to this question. And when we parted, our agreement was that within two weeks or so the government would communicate with them again, because as far as I was concerned the matter was brand new. These negotiations go on with the 80 hospitals of Manitoba in the regular way, through the Hospital Commission, and they are not usually matters of which I am seized or which even the Minister is fully informed as the Hospital Commission and the hospitals are.

So this matter came to me as new last Saturday. I met with the representatives of the Board of Governors, promised to examine their problem and to discuss it with the Hospital Commission and meet with them again to see what an equitable and reasonable solution would be, having in mind the interest of the health of the people of Manitoba and at the same time

(MR. ROBLIN cont'd)....having in mind the pressures on the public purse. And that's the way the matter stands as far as I know. I had the firm impression, and I am sure my colleagues who are with me will probably share this view, that until such time as we have had a chance to examine the problem and to meet with the Board of the Winnipeg General Hospital again, they would reserve their position to see whether we couldn't arrive at an amicable and satisfactory solution. That is why I say -- I must admit I'm surprised to hear from the Leader of the Opposition that these gentlemen have resigned. I haven't heard from them about it and it may well be true, but I would regret it in view of the amicable and I thought constructive meeting that we had on Saturday morning in endeavour to find a reasonable solution to this question.

So that is my report to the Chamber in respect of that particular matter. I would point out however, the pressure that this has on our Budgets. People talk about priorities as if we weren't considering them. My goodness there's \$13 million more in the Budget this year for the hospitals and that constitutes about 1 1/2 points and a 5 percent sales tax. I think we're giving them pretty good priority. It may be that they have to have more, that may well be the case; and we'll certainly have to see what the facts ultimately turn out to be. But to say that some reasonable provision has not been made under the circumstances I think would be quite wrong. So I merely conclude by saying that I hope that this news is not true and I look forward to meeting with the Board of the General Hospital within the period stipulated to them in order to arrive at some constructive and amicable solution of the problem that is in question.

MR. DESJARDINS: Mr. Speaker, the Honourable Provincial Treasurer just a few minutes ago said that when they arrived at the question of health they could not refuse what was needed. But they did. He also said, and I took some notes - that they wanted to help those that needed help and I thought that the people that needed medical help, needed help. He also said that they will not forfeit progress because of the lack of awareness of the problems facing them. Now this government has been told for a long time that something would have to be done in Health. For a number of years, for three or four years, I have talked, I have warned the Minister that

MR. SPEAKER: Considering the discussion thus far, we have had an opinion of the Leader of the Opposition, very disturbing information I must say, and on the other hand, we have had an opinion from the First Minister who has said that it is news to him and I wondered if this couldn't be discussed at a further time when these matters have been confirmed, on one side of the House as well as the other side of the House, and I wonder if we wouldn't come to a better conclusion rather than getting into a debate at this particular time on this subject.

.....continued on next page

MR. DESJARDINS: Mr. Speaker, we have a debatable motion in front of us, I think it is vitally important to the people of Manitoba and I choose to debate it now, unless you order me, tell me I am out of order. I'll await your decision on that. I think I am absolutely in order. We have a debatable motion and I think this is sufficiently important for me to take part in this debate. But I await your decision, Sir.

MR. SPEAKER: I appreciate that and I am sure the honourable gentleman appreciates my position at this particular juncture. It isn't my wish to curtail debate in any shape or form. I am sure he appreciates that. But at the same time, I wonder if there is anything to be gained at this particular time when there can be another time to discuss this matter when all facts have been proved out.

MR. CAMPBELL: Mr. Speaker, on the point of order - if I may speak on the point of order - I recognize the position that you are taking, but on the other hand it is a fact I think, Mr. Speaker, that this is a debatable motion and the whole question is whether anyone who has not spoken on it wishes to speak or not. I must suggest to you that the motion being debatable and my honourable friend from St. Boniface having not spoken on it before, he has a right to proceed if he wishes to.

MR. ROBLIN: Mr. Speaker, as far as the point -- I appreciate what you have said, but I want to make it clear that we would be prepared to listen to the Honourable Member from St. Boniface if you would see fit to allow him to proceed, particularly as I have just been informed the Board of Governors have not resigned.

MR. MOLGAT: Mr. Speaker, if I may on the point of order. My information still remains the same, that they have submitted their resignation.

MR. PAULLEY: If I may on the point of order, Mr. Speaker, this might be a good time for you, due to the fact that there are so many new members in the House to inform them as to their position if they speak on the motion to go into Supply, which of course is a substantive motion, but I think, Mr. Speaker, it might be advisable to say to the members of the House that any member who takes part in this particular motion this evening are precluded from again, during this session, taking part in any discussion on the same motion of going into Supply.

I say this not only insofar as my own group may be concerned, Mr. Speaker, but I think this would be interesting to all of the members of the House, that this is one substantive motion that you can only speak once, irrespective of the subject matter which is raised, and if the Honourable Member for St. Boniface, he has already spoken on this matter, he will be precluded - and I suggest he can continue of course and be perfectly in order - that once he has concluded, he cannot enter into another debate on going into Supply.

MR. SPEAKER: I thank the honourable gentlemen for their opinions and I want to assure everyone that there was no thought of curtailing any speech whatsoever but rather to get along with the business of the House - important as this might be - and I have pleasure in calling on the Honourable Member for St. Boniface to continue.

MR. DESJARDINS: Thank you very much, Mr. Speaker. I also think this is important enough to discuss now. I hope that the last remarks of the First Minister are correct. I hope that we did not accept the resignation of these members. I would like the information that my Honourable Leader received to be wrong, but nevertheless this doesn't change very much. These people have a job to do and there certainly have been threats of resignation, and there have been secret letters and secret meetings and so on, because they are not pleased with the way the government has treated their request.

The First Minister is very happy at certain times when there is a bit of pressure on him, to mention names, to drop names. When we were talking about the Manitoba Development Fund I think that he mentioned the name of certain gentlemen that were on this Board ten times or so, and if I wanted to do like he does, I could mention the name of the people that are on this Board of the General Hospital, and I think that we would see that these people are people respected in this community and people that know what they are doing.

When you rose, Mr. Speaker, I think that the Honourable Provincial Treasurer said that the government will not forfeit progress because of lack of awareness of the problems facing us, and either they do not want to face these problems or they can't understand these problems. The last three or four days the Minister has been trying to cloud up this issue. He made a statement, and I read from Hansard on page 605, this statement was: "For 1967 the budget hospitals are asking for almost \$10 million more than the approximately \$50 million that they were getting in 1966, an increase of almost 20 percent. The commission's budget

(MR. DESJARDINS, cont'd) for the year 1966 would be strained to the limit with an increase in the hospital payments of this size, and the budgets have been reduced approximately 10 percent. It's interesting to note when we consider these increases, that in 1965 the Manitoba Hospitals provided about 1.8 million days of patient care. In 1966 they provided slightly less than in 1965, and the 1967 budgets again anticipate the provision of about 1.8 million days, and that's over a period of two years. There has been no increase in days of care provided by hospitals. "

This is trying to bring in a red herring again to get away from the facts. Anybody knows that when you have a waiting list of close to 4,000 people, the occupancy rate will be great, so we don't expect in the same hospital, the same number of beds, that from one year to the other we'll have an increase in hours of patient care. And there is another sentence or word that we have been using as a catch all. It's very easy, it mixes everybody up. We are talking about the per diem rate. And it's about time we stopped talking about the per diem rate. It doesn't mean a thing because it's not the cost of taking care of a patient - this is all hogwash. We have the education in that. The education of personnel; we have the education of nurses; we have all this education, and why should that be charged to the patient? Why?

And then we have research. And it's right that we have a Commission that should tighten up once in awhile to check and double check. The Minister made it sound very much above board, the First Minister did, because he told us that they can appeal. This is the most ridiculous thing that's been happening. They have to have their budgets in for three months, then they are told by the Board, you have a little better than two weeks to file a written appeal. Who can do it in two weeks? And then who do you appeal to? - the same people that rejected it - to the same people that rejected it, and now the First Minister is hiding behind the Board because he can't take the responsibility again. This is the only reason that this was said. He's blaming the Board and he tells us now take it easy, don't blame the Commission. And how do you appeal when the Minister of Health responsible for that department gets up in this House and says there will not be an increase of 20%, and he made a statement in this House and - another ridiculous state of affairs - we nearly passed this amount of \$56 million or so from the Commission without having an annual report of the Commission. Now I must give credit, in the last day the Minister said all right we will wait. But nobody had said anything; we were going to railroad this through.

Why don't we give all the facts. First of all the 20 percent that is asked by the hospitals -- and it's not just General Hospital -- this is an increase not on what has been spent last year -- this is the impression we would like to give, or the government would like to give -- it's an increase on the approved budget of last year and it's not the same thing, because I would like to ask the Minister what deficit the hospitals here in Manitoba had for 1965. It's not the same thing. Then as I say, we are basing this, we are basing this on patient care, patients in the hospital. There is no talk about, no talk at all about the out-patient department, there is no talk about that at all, but there's a graph in this report that we have, there is an increase of over 100 percent since '59. The Minister didn't mention that. Is this something that the hospitals want? The hospitals are ready to co-operate, they feel that they have a duty and they'll play ball with the department, but this is something that the Commission will order them to do, that the government will ask them to do, tell them to do, and then when they ask for the money to give the service, they are refused and we try to answer in a way that they are not serious or they are not fair, they are not right because they haven't more hours of patient care.

There are many more things and I asked the Minister these questions a few days ago and I haven't had one single answer. There is the study of cancer tissue. This is another phase - referred in-services. You don't see a patient, it comes in a little tube - a test tube or a bottle. How much does that cost? How much money was spent in 1959, if we are going to compare '59 to '66 on this? Not a cent. Not a cent. And there are many more services such as this. We have the home care service; what was spent in 1959? I think the General Hospital started this program in 1958. What about the other hospitals? What is spent on that? Now we are talking about, we want to progress, we are talking about the lack of personnel for these hospitals and we have a motion in front of us -- the Minister tried to answer this a few days ago and I think he was very weak because it is a state that there is a shortage of personnel. This is something serious, the government must take the responsibility and show leadership. It might not be too popular politically to say we are going to stop building hospitals, but this government is more interested, is giving priority to building of beds instead of care, and we

(MR. DESJARDINS, cont'd) are told that there are no shortages in the hospitals, there are no beds closed because of that. We are told that right now there is only 61. Certain hospitals are not closing a ward because there is pressure on them, so they are closing a bed here and there to take the nurses and the personnel to keep that other ward open.

We have an Intensive Care program which is very good. We are progressing. Now we are going to cut down. Do you know, Mr. Speaker that you need about five persons to each patient for this care. We'll have to cut down on this. The Minister has approved a department -- I don't know the medical term for that -- to help the people that are suffering from ailment of the kidneys. This is something costly. This has been approved. General Hospital will never be able to start; never be able to open this, because they haven't got the personnel nor the money. We approved quite an advanced machine for X-rays for the heart at St. Boniface Hospital -- \$300,000 I think it cost. We are cutting down on some technicians that are needed to operate this machine. Isn't that ridiculous, Mr. Speaker? I think that this is very important and we cannot have a dictatorship and the Minister want to pass the whole business of the Manitoba Hospital Commission without having the annual report. And then to say in this House, make a statement, this is all they'll get, there's 10 percent. What about the wages, the salaries. My honourable friends -- of course it's easy for them, they have close to \$5,000 tax free. They should bend their head in shame when they're asking the nurses to get \$350.00 a month, way less than they're getting tax free. They should bend their head in shame when they're asking for this. Salaries and wages, Mr. Speaker, is between 72 and 75 percent of the budget. Now you're giving 10 percent increase on the budget. People are getting 22, 19, 15 percent increase. What did this government, what did the members of the front bench, what was the percentage of their increase this year? Just their increase. I think my honourable friend the Attorney-General is ready to tell us, I wish he did. What percentage is it? From \$12,500 to \$18,000. But that's not all. Tax free if you please, \$3,000 tax free. The people that have the responsibility to levy taxes. We heard them tell us about a tax for today eh, for this year, a sales tax mind you to help those that can afford it not those that need. Well I guess the Ministers do not go in that category. They can't afford it because they don't pay certain things. We have the nerve to bring in a sales tax. We had a tax on heat. This is the kind of increase they have and they'll begrudge the personnel the proper increase when they were working at \$350 per month.

The Minister, especially when he's in Ottawa, for once he wants to cover up, throne speech, was squawking against Ottawa. This speech tonight was the same thing. They cannot accept their own responsibility, they have to blame and blame. What is the priority that we hear from our friends across? Education. Yet not one word, not one word of the nursing education. Not one word. Oh it's easy, per diem rate, be heading in there. When do they open that school of nursing at the university? Ask my honourable friends, Mr. Speaker, what kind of facilities they have there. Where are we going to have the MA's and the bachelor degrees to have the teachers that we need for this personnel. Now they are recommending also a two year course instead of three, to have more nurses. These student nurses have been subsidizing the plan for many years, contrary to what my honourable friends told me a few years ago. This is an accepted fact now, this is a known fact, this is even a recognized fact and even my friends admit that now. And if we're going to convert from a three year course to a two year course, where are we going to have the people replacing these student nurses. 80 or so for each hospital? - some registered nurses, some practical nurses and a few nurses aides? We are cutting, just at St. Boniface Hospital alone, over \$150,000 cut just on personnel. And the First Minister is going to get up in his seat and the other Ministers will laugh. I hope that he's right, I hope that they didn't resign; but if they resign and if something isn't done fairly soon I'm sure they will resign, if they haven't done so.

You cannot come in this House and say there is a chance for an appeal and make a joke out of this and tell them you have 2½ or a little over 2 weeks to file a written appeal. You can't come in the House and do this, Mr. Speaker. And when their appeal is being studied the Minister will get up and say this is all they'll get. Oh politically this is good because we only think of ourselves and many of us are not in the hospital; politically this is good because you want to reduce taxes, nobody likes to see premiums. I've talked about a utilization fee a while ago because I realized how difficult and how much money we had. And when I made my remarks on the estimate of my honourable friend what did I say? - shortages, shortages of personnel, shortages of beds, shortages of money, because we are cutting the budgets. I tried to bring certain things that were not popular I'm sure. Such as a deterrent, call it deterrent,

(MR. DESJARDINS, cont'd) call it utilization fee or co-insurance. I've also suggested that we have the administration of all the beds under the same head so we'll know what we're doing. We're building more beds, acute beds, sure, we started in 1961, I think it was in 1960 the Willard Report it says to build. We took care of all this, but the personnel we forgot about that. So what are we doing? We're closing beds while we're building others. Oh politically it's popular. You'll have a hospital in the north end. That politically is popular. At one time everybody was against it. During the last campaign all the Conservative candidates from the north end district were in favour of this; now we're going to have a hospital in the north end. Good. But not if we have to close beds, not if we have to go backwards. The Minister was talking about progress a while ago. Not if we have to say forget this intensive care program that you have. Forget this home care program that you have.

Can you see the situation that I, the example - I'll repeat it because I think it's a good example - can you see, Mr. Speaker, somebody coming in for an open heart surgery and being told no, we spent our budget in this department, you'll have to wait until next year. Does that make sense. Talk about cutting services. I suggested that maybe we should cut on food. You should have seen the phone calls that I got just for that because this is something that the people can see. This is something that they complain about, the food in an institution. Nobody wanted to cut this. But did we tell them the rest that was going to be cut. Maybe it's easier to hide. I'm told that the sutures, it's 30 cents more a dozen. Everything has gone up. The drugs have gone up; everything has gone up. The Canadian Pension Plan, that's going to cost money; who's paying for that? Mind you if the hospitals were there, if they say this is what we want, this is what we want, you would say all right somebody has to hold on, somebody has to be careful. But the Government and the Board brags about all these new progressive steps - and they should - but they blame the hospital if this costs money. They'll bring some services that might cost \$100,000 but they want to cut down when this is asked. There is a very very bad shortage of personnel in the hospitals at this time. Some hospitals are not closing their beds because they are practically blackmailed in keeping open. Because they attack the government and the commission attach so much importance on the hours and days of patient care and this is the only way that they're going to have most of the money from their budget. So you know what they do? They stretch right up to the breaking point. They take nurses from other wards; they take student nurses, some student nurses have had up to 36 patients to care for at night. Some hospitals have student nurses in charge at night. Mind you they're giving excellent service -- but they are there to be trained, they're not there to be trained in the middle of the night. They're supposed to be there to have a little bit of experience. We are taking these nurses and putting them in other departments and the hospitals are worried. Because they feel that some day they might be judged criminally responsible because of lack of personal That's serious, Mr. Speaker. It's not a laughing matter. And the First Minister of this province cannot say it's up to the Commission, they have the responsibility, they make the policies, they're the ones that said we're going to institute the premiums will not go up because we're instituting a tax because we believe, an income tax, provincial income tax, because we believe in ability to pay. And there the ones that a year or so before an election reduced the provincial sales tax by one percent, reduced the provincial sales tax, the hospital tax by one percent. So, Mr. Speaker, I think that this government has a lot to answer for. I would say before it is too late, because the Minister's estimates have not been passed, that the Minister and the Premier if he wants, the whole cabinet if they want, should meet, not only with the Board of General Hospital but of Children's, of Misericordia, of St. Boniface and all the hospitals, and have another look at this, and see if they're saving money for the people of Manitoba or if they're going backwards. And I think they're going backwards the way they're going now, Mr. Speaker.

MR. SPEAKER put the question and after a voice vote declared the motion carried. The honourable Member for Arthur.

MR. CHAIRMAN: Committee proceed.

COMMITTEE OF SUPPLY

MR. CAMPBELL: The Honourable Leader of the New Democratic Party mentioned a short time ago something that he thought would be advisable to emphasize before the House on account of there being so many new members. I would think that it would be well for the same reason, because there are so many new members, if the Provincial Treasurer would give a brief explanation of just what the supplementary estimates mean and why they're necessary and

(MR. CAMPBELL, cont'd) some little background for the, say particularly the new members, and then if he would just give a quick run over of what the main items are and how they arise I think it would be helpful. The latter part to all of us and the first part particularly for the new members.

MR. EVANS: Well, Mr. Chairman, I'll be glad to do my best. Supplementary estimates are required because always in estimating in advance you're never quite sure what the eventual expenditures are going to be. The sums voted in the main estimates each year are for certain specified classes and those items are set out in the main estimates and they are eventually passed either in the same form or modified. It is then the direction of the legislature to spend up to those amounts for the specified purposes. Some of the amounts may be underspent; some may require additional sums. You can't transfer sums voted by the legislature for one purpose to another purpose. So while at the same time there maybe under-expenditure in certain items it is necessary to vote the entire over-expenditure in certain others. So the practice has arisen of introducing supplementary estimates toward the end of the current fiscal year to be able to provide the additional amounts that are required above what was estimated the year before.

The main reason, I think the main reason we have supplementary estimates is the difficulty of estimating exactly the amounts that will be required for the ensuing twelve months. Particularly when you consider that the process of arriving at these estimates is a very long and complicated one and usually starts in the late summer for the following year to take effect the following April 1st. There may be changes in prices; there may be changes in programs; there may be changes in the price of money; there may be rises in wages; there may be rises in prices of material and so I am sure honourable members will appreciate the many difficulties there are in arriving at a precise estimate of what the given program for the ensuing year is going to cost, particularly when the estimate must be made some 15 months in advance of the end of the period in question.

I should be glad to provide explanations of the items and the usual process would be for the Chairman to call each item and the honourable members to ask for explanations, or I would be glad to offer comments on each item as they come along - just as the members of the Committee would prefer. Does that cover the subject? It's rather an impromptu effort on my part and I'm not sure that I have done justice to it.

Mr. T. P. HILLHOUSE, Q. C. (Selkirk): Would the Honourable Minister permit a general question on how strict the re-distribution of expenses is. Now take for instance under Executive Council item No. 1 Administration. Would I be correct in saying if you under-expended the amount set aside for that particular purpose, and during the course of the year you increased the amount of one item, would you be able to use the surplus for that particular item, or would it have to be specifically voted for that item?

MR. EVANS: It has to be voted within that appropriation. There is a process, what's called sub-appropriation transfer, that is to say within Administration there may be indeed several items set out in the books of the department and even explanations given in the Committee of Supply, that the Administration item is broken up into the following amounts, and those may well be recorded in the House, but it's within the power of the Lieutenant-Governor-in-Council to make a switch between sub-appropriations. But when it comes to the numbered votes, the numbered items in the Estimates themselves, those sums are fixed and cannot be switched with another appropriation of the same class.

MR. CHAIRMAN: Executive Council 1 (4) passed

MR. CAMPBELL: Mr. Chairman, I have a question that would come under any one of the departments but inasmuch as this is the first one for us to deal with I ask it here. One would perhaps have expected that as one of the items that was not envisaged at the time the Estimates were put through the House, was this salary increase. How is it that the salary increase does not show in this list that we have?

MR. EVANS: I think my honourable friend will find in last year's estimates a sum of \$1 million was indeed voted by the House but there are salary increases over and above that which are provided for in the supplementary estimates that we have before us. A sum of \$1 million was indeed voted and so isn't required to be taken into supplementary estimates but I think from memory the total required for the salary increases that were eventually given was a million six. So the \$600,000 is provided by way of Supplementary Estimates or Special Warrants during the year.

MR. CAMPBELL: I was thinking, Mr. Chairman, that the vote that we had of \$1 million for salary increases were really specifically for the civil servants. Were they not?

MR. EVANS: I think it must be so, from memory yes - the \$1 million was voted - I have forgotten the wording in last year's estimates. ...

MR. CAMPBELL: ... the way, I suppose would be by special warrant. Perhaps there is no need to hold up the item at the moment while this is being discussed, but would the Minister just check and tell us by what method that was done. Not necessarily now.

MR. EVANS: By what method, I am sorry I missed - what was done?

MR. CAMPBELL: The salary increases were given - were they provided for out of the salary increase vote that is mentioned, which I thought was for civil servants?

MR. EVANS: They were provided to the extent of \$1 million out of that vote but I think the eventual salary increases were more than that and must now be provided in substantial part by these supplementary estimates.

MR. CAMPBELL: I hope the Minister understands that I am speaking of the salary increases of the Ministers.

MR. EVANS: Oh I am sorry, I didn't realize that you were speaking of

MR. CAMPBELL: Yes, I am speaking of the salary increases that the Minister's received, and inasmuch as these were not envisaged of course, at the time - at least if they were, we didn't know about it -- at the time that the other estimates were being discussed. It would seem to the layman that this would be one of the logical supplementaries that would be presented and they are not shown here in any of these departments, so the question occurs to me, how were they provided. I suppose it's by special warrant.

MR. EVANS: I'll have to find out for my honourable friend and tell him later?

MR. FROESE: Mr. Chairman, this item of \$33,000 for the Manitoba Development Authority. I'm not sure, was this authority set up last year and if so, did they engage more staff than what they had intended for or why do we have the increase of \$33,000?

MR. EVANS: It was set up two or three years ago. There was a vote for it in last year's estimates. The particular \$33,000 is a study for relocating Indian and Metis people at South Indian Lake. South Indian Lake will be flooded when the Nelson River development takes place. An amount of \$32,000 is recoverable, of which \$16,000 will come from Canada under the ARDA plan and \$16,000 will eventually be paid by Manitoba Hydro as a part of the cost of developing the Nelson River Power Development, but under the new arrangements of what's called gross accounting, we must put the gross expenditure in our estimates of expenditure and the money is recovered later.

MR. CHAIRMAN: Agriculture and Conservation. 3 (f) (8) passed

MR. EDWARD I. DOW (Turtle Mountain): There's two items in this particular section that I wonder if the Minister could enlighten me on: Supplementary Estimates on 3 (f) (8) an additional \$17,000 and item 4, Agricultural Societies an additional \$7,000 and I look at the estimates and I find that in both instances they have been reduced considerably from this amount. If you follow me, that in 1967 the estimated figures of 8 was \$304,000 and you are asking \$17,000 so that brings it to \$321, and now you are asking approval of \$268 for the '68 estimates, so this is a reduction. And Agricultural Societies would show an expenditure of \$180,000 and you are now reducing it back to the original figure \$173,000. Could he explain the difference or what is the reason for it.

MR. EVANS: The \$17,000 item under Soils and Crops is what's really called a grossing conversion. We are getting \$17,000 more from Ottawa under the ARDA arrangements than was anticipated when the Estimates were put in a year ago. Consequently in order to be able to spend the money that we receive, we must put it in. It's called a grossing conversion. With regard to the Agricultural Societies their entitlement to grants is set out I think, in the Statutes, certainly in the regulations they have an entitlement to these grants and the amounts last year were under-estimated by the \$7,000.00.

MR. CHAIRMAN: 8 passed, 4 passed, 5(c) passed. 5 passed, 8 passed ...

MR. CAMPBELL: Mr. Chairman, on 8, could we have an explanation of this one? Does it mean that instead of the \$524,000 - odd that we voted in the estimates for the current year, that instead of that that \$724,000-odd is going to be required?

MR. EVANS: The answer to the last question is yes. It's accounted for by the increasing cost of money, very largely because a larger proportion of the money during the year was loaned to young farmers, with its low interest rate. Consequently the interest charges for the money --

(MR. EVANS, cont'd) we recovered less than the cost of money on the loans to young farmers. In addition to that the general cost of money was higher, and those factors account for the short fall or the under-estimate of what would be required.

MR. FROESE: Mr. Chairman, this then is not an allocation, it's an actual expense and it is an interest subsidy. Is that right?

MR. EVANS: In the sense of subsidy yes, that certainly applies to the young farmers loan where the interest rate is subsidized; and in addition to that, the interest on all the money turned out to be higher than had been expected at the first of the year.

MR. CAMPBELL: Mr. Chairman, it would be a logical assumption that the \$800,000-odd that is applied in the Estimates that we are now studying, the Department of Agriculture - we haven't reached the item yet - that that one will have to be raised too, will it?

MR. EVANS: Well the Department of Agriculture has put in its estimates and it's the Department of Agriculture's opinion the amounts for next year will be enough.

MR. CHAIRMAN: Resolution 2 passed. Attorney-General, Resolution 3 (1) (a) passed . .

MR. SAUL M. CHERNIACK, Q.C. (St. John's): Mr. Chairman, I would like to get clarification on this. I understand this to be the Minister's Compensation, and if it is, I don't quite follow the addition of \$9,000 to the \$12,500.

MR. EVANS: I believe this is not the amount that covers the Minister's salaries that you referred to. Under General Administration the amount (a) \$9,000 is the amount required in addition to what they got out of the \$1 million vote to cover the salary increases and particularly in the professional classes during the year.

MR. CHERNIACK: Mr. Chairman, should it then read 1 (b) or indeed should it read somewhere down in 5. Because if it's 1, then (a) is Minister's Compensation. (b) is Administrative Salaries.

MR. CAMPBELL: Mr. Chairman, I think my honourable friend doesn't have last year's estimates in front of him because in last year's estimates it is shown Minister and Other Salaries and I take it that this is the Other Salaries, rather than the compensation of my honourable friend the Attorney-General.

MR. CHERNIACK: I thank the Honourable Member for Lakeside for knowing what he's speaking about. I appreciate it?

MR. CAMPBELL: Accidents will happen.

MR. CHAIRMAN: (a) passed, (b) passed, (c) . . .

MR. CAMPBELL: The (c) item, the Prairie Provinces Price Inquiry Commission, that's the one that's in progress now, is it?

MR. EVANS: This provides Manitoba's share of the expenses up to next March 31st and this expense is not foreseen.

MR. CHAIRMAN: (a) (2) passed, (g) passed. Resolution 3 passed. Education Resolution 4. 2(a) (2) passed

MR. CAMPBELL: What is this one, Mr. Chairman?

MR. CHAIRMAN: We are on Resolution 4. 2 (a) 2.

MR. CHERNIACK: Could we have some information, Mr. Chairman on that. It's an increase of \$1 million on some I think \$48 million. How's that

MR. EVANS: The school tax rebates were estimated in advance at \$11 million as I recall. They're going to require 12.

MR. CHAIRMAN: (2) passed

MR. LYON: Mr. Chairman, having regard to the hour would there be any disposition to complete the next item if we presumed the clock had stopped.

MR. CHAIRMAN: One more item. 2 passed.

MR. FROESE: Could I have an explanation on the next item. It's a matter of a half million dollars. Is this for capital nature, or what is it.

MR. JOHNSON: This is extra allowance money needed for the basic upgrading and retraining.

MR. CHAIRMAN: (a) 2 passed, 4 (b) (2) passed. Resolution 4 passed.

MR. LYON: I think this would be a convenient time to move the Committee rise.

MR. CHAIRMAN: Committee rise. Call in the Speaker

MR. DOUGLAS J. WATT (Arthur): Mr. Speaker, the Committee of Supply has adopted this resolution and asks me to report same and beg leave to sit again.

MR. WATT: Mr. Speaker, I beg to move, seconded by the Honourable Member from Springfield that the report of the Committee be received.

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

MR. LYON: Mr. Speaker, I beg to move, seconded by the Honourable Provincial Treasurer, that the House do now adjourn.

MR. SPEAKER presented the motion and after a voice vote declared the motion carried and the House adjourned until 2:30 Tuesday afternoon.