

THE LEGISLATIVE ASSEMBLY OF MANITOBA
8:00 o'clock, Thursday, April 6, 1972

INTRODUCTION OF GUESTS

MR. SPEAKER: Before we proceed I should like to direct the attention of the honourable members to the gallery where we have a Scout Group, No. 163, a group of 8, I believe. On behalf of all the honourable members, I welcome them here today.

BUDGET SPEECH

MR. SPEAKER: The Honourable Minister of Finance.

MR. CHERNIACK: Mr. Speaker, this government is now approaching the end of its third full year in office, and tonight's budget address is the fourth that it has been my privilege to deliver as Minister of Finance. This has been an activist administration which has clearly and consistently promoted greater equity and justice for the citizens of this province. Our commitment is to root out inequality and to achieve a more humane society that responds - through the democratic process - to the actual needs of all our citizens.

Of necessity, it was toward urgently needed reforms that our new government directed its first program initiatives in July of 1969. Scarcely two months passed before this government was able to fulfill a commitment which had been made to the people of Manitoba to relieve the serious and unfair burden of health insurance premium taxation - a burden which had increased sharply several months earlier - as a direct result of the failure of the previous administration to seek a more equitable means of financing the provincial share of the costs of the newly-implemented Medicare program.

Later, the introduction of the Public Automobile Insurance Plan constituted a further very useful, and very long overdue improvement in Manitoba Auto Insurance arrangements. Once governments recognized the necessity of considering compulsory auto insurance to protect the great majority of citizens, it became incumbent on this Government to reduce the cost of administration and litigation by providing a universal single carrier as a new public utility, operated by a Crown Corporation.

Last year, major revisions to the form and operation of local government in the City of Winnipeg were implemented to guarantee greater efficiency and far more direct citizen involvement in the affairs of Manitoba's most populous urban area. Our concern for a real "democratization" of Government - a recognition that the ultimate authority for every measure which we undertake must be the people we represent - is exemplified in the structure of the new City of Winnipeg Government.

Establishment of the office of the Ombudsman constitutes an important step towards the goal of the protection of citizens' rights. The same is true for other innovations including the Consumers' Bureau and the office of the Rentalsman. Our support for the work of The Law Reform Commission, The Human Rights Commission, and for Legal Aid Services, will help make certain that the needs of every Manitoban will be known and met - fairly and quickly.

As this Legislature knows, there are many other examples of much-needed reform reflected in the over three hundred Legislative Bills passed by this Government in its first 24 months of office.

We are now carrying forward, in a systematic way, preparation for major changes in economic and social policies and programs in Manitoba. We have, for example, been developing - and are now beginning to implement - wholly new arrangements in northern Manitoba. Leaf Rapids is both an experiment, and the beginning of a fundamentally different way of approaching problems in the North, and reforming the logic of Northern Development. A Northern Manpower Corps has been established to ensure that northerners, many of native decent, are assured first opportunities to fill northern jobs and to receive essential training and counselling to prepare them for employment. This new approach includes necessary expenditures for northern roads and airstrip facilities and for schools and other infrastructure improvements.

We have also initiated substantial revisions in employment and manpower policy. Last year, for the first time, we were able to formulate a pathbreaking program to combat provincial unemployment. This year and in the years to come, we intend to institute steadily improving programs of this type - still more effective, and still more sophisticated - so that Manitoba will be the unquestioned leader in Canada in the scope and range of its response to manpower requirements. This sort of redirection is no mere housekeeping item. It is a new

(MR. CHERNIACK cont'd) policy of a fundamental kind.

The same is true of the housing policy. Since coming to office this Government has already committed some \$72 million of public funds to build close to 5,700 dwelling units in over 50 communities throughout the Province. Plans call for further major initiatives in this area in the current fiscal year. Manitoba now stands clearly in the forefront in respect of Public Housing Policy.

The same is true in respect of new policies relating to the delivery of Health Care Services. The same is true of Education Policy. The same is true of Industrial and Regional Development Policies. In these areas, major initiatives are underway that will dwarf in scale and importance the work of our first months in office.

And despite the constraints imposed on our administration, largely as a result of grossly inappropriate Federal Fiscal and Economic Programming, it will be my intention this evening to propose the initial elements in a forward-looking, expansionary fiscal policy which will serve as the foundation for the many initiatives and reforms to which I have just referred. This fiscal policy will also encompass positive and concrete measures to reduce tax burdens for all tax-payers in Manitoba and especially for those in low and middle income groups who represent the overwhelming majority of our population.

Our Social Democratic Government is committed to the development of a humane society. The Budget I will present to you tonight will provide important impetus toward this goal.

THE ECONOMIC SITUATION

Let us first turn our attention to economic conditions in Manitoba, and in describing the economic situation, it is useful to consider various traditional statistical indicators such as gross output, aggregate investment, total retail sales, and so on. However, these broad indicators cannot be - and were never intended to be - a true guide to social progress in a country. What, for example, does a gross output figure reveal about living conditions in our cities and in our rural areas? What do total investment figures necessarily reveal about the quality of housing? - About educational programming? - and even about employment opportunities? What do total retail sales statistics reveal about the relative abilities of all our citizens to share equitably in the benefits of our society?

Unlike the previous administration, this Government acknowledges the limitations and the shortcomings of current quantitative indicators. We refuse to pursue a policy of "growth for growth's sake". We challenge the simplistic emphasis of those who "worship at the shrine of the gross national product".

Every economic policy decision must be evaluated in terms of its potential benefits and its potential costs - not just benefits and costs measured in terms of output data and revenue effects, but all benefits and costs - most particularly, those positive and negative social values that profoundly affect the lives of the people Governments have been created to serve. Too often in the past, economic expansion - manifested in traditional aggregate statistical growth rates, has been pursued, irrationally, for its own sake - without regard to the social costs of this expansion measured in human terms. Our position has been, and will continue to be, that we will strive for economic development - rapid development - but only where it can be demonstrated by this development will mean real improvement in the quality of life enjoyed by all our citizens.

However, the traditional statistics - if properly understood - do provide a rough guide to the condition of the economy. The following figures for Manitoba in the last year do reflect favourable and promising trends in the economic and business climate within the Province.

In 1971, Manitoba's gross provincial income reached an all-time high estimated level of close to \$4.1 billion. The output and the sales in most economic sectors increased appreciably. Primary resource production, for example, rose by 10% over the previous year; manufacturing output rose by 5.7%, and retail sales increased by 8.4%. In the primary resources industries, the largest expansion of output occurred in agriculture. The value of agricultural output increased from \$468 million in 1970 to \$553 million in 1971 - a difference of some 18.2% over the year. Although the rate of expansion in the manufacturing sector varied considerably among industries, certain sectors, including the clothing, wood, machinery, electrical equipment, and non-metallic mineral industries showed substantial growth in 1971.

Early indications are that public and private investment in Manitoba will be marked by a major resurgence in 1972. A cross-Canada survey of intentions just released by statistics

(MR. CHERNIACK cont'd) Canada estimates that new capital expenditures in the province will increase by almost 12% in 1972 relative to the 1971 level. Quebec is only fractionally higher at 12% and thus Manitoba's anticipated expansion represents the second largest percentage increase of any province in the country, and is significantly above the projected average increase of 5% for the nation as a whole.

During 1971, there was considerable activity in the residential construction industry. Dwelling unit starts were 19.7% higher, completions were 8.3% higher, and dwelling units under construction at the end of the year were 6.5% higher than in 1970.

For the first year since 1966, farm cash receipts increased relative to the previous year. Total cash receipts rose from \$342 million in 1970, to over \$372 million in 1971. Receipts from the sale of crops alone increased by almost 28%, while receipts from livestock production declined slightly in comparison to 1970 figures.

In general, wage and salary statistics also reflected considerable improvement. In 1971, Manitoba's average weekly wage stood at \$123.96. This represented an expansion of 7% over the comparable figure for 1970. Because the consumer price index for Winnipeg showed considerably less increase than the national average over the 12 months of 1971 - some 3.8% for Winnipeg, compared to 5% for Canada as a whole - it is clear that the Province's real wages expanded significantly relative to other regions across the country.

UNEMPLOYMENT AND SPECIAL EMPLOYMENT PROGRAMS

However, for some Manitobans, and for far too many Canadians who were without jobs, over-all increases in income levels had little meaning.

Unemployment is clearly the most significant problem facing the nation today. Our present forecasts indicate that it will continue at levels close to those presently observed for at least another 18 months. At the last two Federal-Provincial Conferences of Ministers of Finance, Manitoba made public these dismal forecasts. Other governments have indicated their agreement with them. Our latest forecasts will be included with the economic statistics which I will table later as a supplement to this Budget presentation.

There can be no doubt that the responsibility for the present unemployment crisis rests squarely with the Federal Government, for it is the Government with control over the major levers of economic policy. In a system such as ours, when the Federal Government decides upon a policy that results in massive unemployment, the Provinces can follow only two courses. First, they can exhort the Federal Government to change its stance, and secondly, they can use their limited resources through budgetary means to raise the level of demand in their jurisdictions. The Government of Manitoba has pursued each of these alternatives and has achieved some success, especially with the second. But the blunt fact remains - only the Federal Government has the means to alter, in a basic way, the current disastrous situation.

The record of the past two years is a dismal one regardless of the aspect from which it is viewed. A complete recitation of the statistical measures of the problem is not necessary here; the information is available and known to all. In 1970 the Canadian unemployment rate was 5.9%. In 1971, it rose to 6.4%. In human terms the impact is staggering and probably immeasurable. Well over 600,000 people are presently without jobs in this country. As a result, the lives of millions of Canadians have been directly affected.

Also, in economic terms, the exceedingly high unemployment of the last two years represents a loss of output of considerable magnitude. Responsible estimates put its dollar value at around \$10 billion. Moreover, this lost output is forever lost; what was not produced in Canada as a result of the underutilization of available resources in the last two years can never be recaptured.

However a recitation of past mistakes is only useful if future policies are affected. In this regard, the Government of Manitoba again calls for a renewed commitment by the Federal Government to the full employment objective that they themselves set over a quarter of a century ago. This goal has been endorsed by the Economic Council of Canada. And it is the goal to which this government subscribes. It is a realistic goal; it can and must be attained.

The winter employment program which this government announced in early October was extremely large in relation to our over-all fiscal capacity, and its success has been equally substantial. Our program is in two parts. The first is the provincial employment program and under what has come to be known as "PEP", close to \$10 million has been budgetted for distribution to hospitals, schools, municipalities, local organizations, remote northern

(MR. CHERNIACK cont'd) communities, Indian bands, and pensioners. Most of these funds have been allocated to meet the labour costs of various kinds of infrastructure service projects submitted by these groups. Besides the many material benefits created, preliminary indications are that some 12,000 to 15,000 man months of work have been created under the provincial employment program.

May I depart from my text just for a moment to inform the House that one of the most important innovations in this year's PEP program is the pensioners' housing program. The motive behind this part of PEP is to create work for tradesmen while providing home-owning pensioners with grants for home improvement. The size of the grants are graduated with respect to the pensioner's economic needs. The final figures are not in as the program is not yet over. It appears now that well over \$2 million will be forwarded to pensioners. To date over 3,500 pensioners have received grants under this program.

The second part of Manitoba's plan to reduce winter unemployment is the capital acceleration program. Here the Province has accelerated the construction of public works so that their employment-creating characteristics would be concentrated in the winter months. Current estimates show that this program has meant \$30 million worth of extra construction in this difficult time. It is now estimated that some 25,000 man-months of work have been created as a result of this program.

While the Federal Government belatedly announced certain special measures to create jobs in the winter of 1971/72, it was clear that these plans would be far from sufficient to deal with the predicted high levels of unemployment. Subsequent jobless figures have verified this preliminary assessment of the inadequacy of Ottawa's program. They attest to the fact that there can be no substitute for a massive fiscal and monetary attack on the problem of unemployment. Manitoba's own experience has shown that a substantial Provincial Government commitment in the form of imaginative programming can have a significant impact on provincial unemployment rates. The provincial resources and time devoted to these programs have been well spent. But, to ensure full employment both in Manitoba and in Canada as a whole, the Federal Government must measure up to its responsibilities.

AGRICULTURE

Although again, the problems in Agriculture must be dealt with on a national basis, the Government of Manitoba, in its concern for the plight of farmers, has taken tangible steps toward improving their situation. Examples are evident in the expenditure estimates of the Department of Agriculture which I tabled earlier during this Session. Increased provincial services will be provided in respect of livestock production, veterinary care, marketing, agricultural credit, crop insurance, and several other important areas.

The success of the Hog Marketing Program has been most encouraging, as has the response to the farm sewer and water program which was initiated in 1971. The Speech from the Throne indicated that further major developments are planned as well.

In January of this year, the Federal Government announced a plan for a two price system for wheat which will increase the price of the top grade sold for domestic consumption to \$3.00 per bushel. The Government of Manitoba as long as a year ago endorsed this plan for we have long argued that a dual pricing system for wheat is essential to improving the position of the prairie grain producer.

But, the new pricing system, will not in itself ensure farmers the returns to which they are entitled. To complement this plan, we have urged the Federal Government to adopt a new farm income stabilization program which recognizes the high direct and indirect costs which weigh heavily on agricultural producers. The Government of Manitoba believes that such a plan to be acceptable - must provide farmers with support commensurate with their day-to-day requirements; it cannot reasonably be related to measures of gross income - or averages of income over time - neither of which may reflect growing debt burdens and other facts which have placed so many producers in extremely difficult positions and already have forced some to cease operations.

Later in this address, I will announce a general taxation policy decision which I expect will provide Manitoba farmers with new provincial assistance in the years ahead.

THE FISCAL ARRANGEMENTS AND TAX COLLECTION AGREEMENTS

As I indicated earlier in discussing the unemployment problem, the tools of fiscal policy

(MR. CHERNIACK cont'd) must be applied forcefully. Within the context of specific plans and objectives, they are particularly important to achieve a redistribution of income and economic power - among individuals, regions and governments.

The culmination of the Tax Reform Debate in 1971 provided the Federal Government with an important opportunity to effect just such a redistribution and thereby benefit the disadvantaged of this country. But instead of real tax reform, the Government of Canada opted for the status quo, preferring to adopt marginal changes, including several regressive modifications in the tax system. The people of Canada were thus denied the greater equity that a meaningful restructuring of taxation would have ensured.

INCOME TAXATION

Among the revisions imposed by the Federal Government, perhaps the one which will affect the provinces most directly is the new system of sharing income tax revenues. Under the British North American Act, both the Federal and Provincial Governments are guaranteed equal access to income taxation. However, various circumstances, including wartime emergencies, led to the preemption of by far the greater share of the field by the National Government. After the last war, little by little, year by year, the provinces were able to regain a gradually increasing proportion of these revenues - in recognition of their growing responsibilities, particularly in the areas of education, health and social development programming. In the mid and late 60's, a series of intergovernmental studies of the financial requirements of the various levels of government in Canada indicated that an even greater share of these revenues was required by the provinces to enable them both to meet the service demands of their citizens and to reduce the burden of regressive consumption and property taxes on their taxpayers.

Yet, when the Federal Government announced its taxation decisions last June, and later, as Federal-Provincial discussions proceeded with respect to the implications of these decisions, it became apparent that the Government of Canada had elected to ignore the rapidly growing needs of the provinces and their municipalities for greater revenues from progressive taxation. However, in the interests of preserving a reasonably uniform, standardized national income tax system for Manitobans - to avoid a return to the "tax jungle" which characterized this country in the 1930's - the Government of this Province has decided to retain its income tax collection agreement with the Government of Canada. In order that this decision can be carried out, the House will be asked to approve amendments to the Manitoba Income Tax Act to ensure that it conforms to the revised Federal income tax legislation.

As I announced before the end of 1971, the amendments to the Manitoba Act will establish provincial income tax rates of 42.5 percentage points of the newly-based federal tax payable in respect of individuals, and 13% of taxable income allocated to this Province in respect of corporations - both effective January 1, 1972. The corporation income tax rate, at 13%, represents no change from the rate in effect in 1970 and 71. The individual income tax rate has been converted and calculated by the Federal Government - as it was for all other provinces - to ensure revenues for the province approximately equal to those available under the previous tax sharing system.

And it seems to me, if I may depart from my text, that I heard somebody mumble that they are really higher and that only shows further ignorance on whoever it was that may have made that statement.

SUCCESSION DUTIES

In my last Budget presentation, in the Spring of 1971, I indicated that the outcome of the tax reform debate was "the critical variable missing from all provincial calculations" related to future fiscal policy measures. As I have just explained, this variable has now been defined, and in the case of the income taxes, its effect on provincial revenues is clearly not satisfactory. A further regressive announcement made last June was the Federal Government's plan to repeal its taxes on estates and gifts at the end of 1971.

Recently, I introduced Manitoba Succession Duty and Gift Tax Bills for second reading by this Assembly. At that time, I stated that this proposed legislation represented the response of our Government to the Federal withdrawal from the wealth transfer tax field. And, of course, we are not alone in this response. Nine of the ten provinces will levy both Succession Duties and Gift taxes in 1972.

The primary purpose of these two taxation measures is to promote equity. Neither is

(MR. CHERNIACK cont'd) intended to apply to any but the largest transfers of wealth - and, as a result, neither is likely to affect more than a very small percentage of the residents of our Province.

EQUALIZATION

While the Federal Government agreed to continue the present equalization formula for another five-year period, to the end of the 1976/77 fiscal year, it acceded only to minor technical modifications which will have little impact in reducing the extreme pressures on the budgetary positions of the smaller provinces. Manitoba, along with all other recipients of equalization grants, had requested that the Federal Government expand the formula to include at least some portion of local government revenues - and especially those revenues related to taxes on property for education purposes - in recognition of the differing capacities of governments across Canada to reduce the burdens of these regressive taxes on their citizens. Well regrettably, the Federal Government refused to do so - despite the fact that this action would have resulted in only a relatively small increase in federal expenditures, and would have made the equalization formula far more accurately reflective of the revenue-raising constraints on the various provincial governments.

COST-SHARED PROGRAMS

POST-SECONDARY EDUCATION

The major joint -- Mr. Speaker, the Member for Rhineland has now joined us and has some comment to make I understand -- the major joint programs have been the object of intensive analysis and negotiation in recent years. Recently the Federal Government imposed a strict arbitrary ceiling on its share of the rise in costs of higher education under the post-secondary program, and has agreed to continue its support of the program - even in this limited form - for only another two years.

With limits on Federal participation, immediate large scale restructuring in post-secondary education has been effectively precluded. It is clear, though, that post-secondary programming must be re-evaluated - particularly in light of serious problems encountered by recent graduates entering the labour market. This Government has announced that a special Provincial Task Force will study these and other concerns which have arisen in the higher education field. It is hoped that the recommendations which this study may put forward will provide a useful basis for discussions with the Federal Government of Canada concerning the most effective roles both the Federal and Provincial Governments can play in the provision of post-secondary education services in the future.

HEALTH INSURANCE

At the same time as it has applied rigid controls on its share of higher education costs, the Federal Government has attempted to achieve virtually the same goal in respect of the Hospital Insurance and Medicare arrangements. The Government of Canada has proposed that the present system of financing these programs - which involves more-or-less equal sharing of expenditures between Canada and the Provinces - should be replaced with a formula which would link federal support to increases in the gross national product. Well, Manitoba rejects this formula as completely unrelated to the health needs of the Canadian people and of course to the health costs.

Our Government has expressed complete agreement that there is a need for greater flexibility for the provinces in these major health insurance program areas - and has further called for efforts to introduce greater efficiency into health care delivery systems to minimize cost escalation. At the same time, Manitoba fully recognizes that both these objectives can only be achieved through continuing direct Federal involvement in the programs themselves - this includes financial support at a level commensurate with the fiscal capacity of the Federal Government, and a clear acceptance by Ottawa of its responsibility to maintain and upgrade health service standards across Canada.

During this session, I anticipate that the Government will present to this Assembly a policy paper on the directions which this Government sees as the most reasonable course for future health care programming in Manitoba. It is clear that in recognition of escalating health costs and improving health services, new alternative health care systems are urgently required.

(MR. CHERNIACK cont'd)

INCOME SECURITY

Much concern has been expressed recently with respect to relatively substantial increases in Social Allowance expenditures. This Government shares that concern. Of course, it is recognized that the vast majority of those receiving financial assistance are the disadvantaged, the aged, the sick, and the disabled, who, through no fault of their own, are unable to work.

While most income security costs are shared under the Canada Assistance Plan, nevertheless the increased pressure on the Provincial Budget has presented significant problems. The answer to these problems must be: enough jobs for those who can work, as well as motivation and real incentive to keep working for those who have jobs. But, for those who cannot work - and again I want to stress that they are in the majority among social allowance recipients in Manitoba - the levels of income support we provide must be maintained at an adequate level. It has been announced that a general review and evaluation of the operation of social assistance programs in Manitoba will be undertaken in the months ahead by the head of the Department of Economics at the University of Manitoba. It is expected that this study will indicate clearly where modifications must be made in the present system of social development services to ensure optimum co-ordination and maximum benefit to those in need of assistance.

BUDGETARY POSITION1. Revenues and expenditures 1971/72

Mr. Speaker, before dealing with our plans for the New Year I wish to point out that despite the constraining effects of Federal policies, the Province's Budgetary position for the fiscal year which ended on March 31 was sound and healthy. While our books have not yet been "closed" for the fiscal 1971/72, it now appears as if the Government will realize a current account surplus for the 12 months just passed.

And now I would like to depart from my text, Mr. Speaker, because my memory served me and brought me back to a debate on last year's budgets, not quite a year ago, where concern was expressed by some of the members opposite that the Government has been less than candid in its presentation of revenue and expenditure Estimate for the '71/72 fiscal year. In fact there were direct assertions that we had, in effect, juggled the books, or manipulated the figures, by understating expenditures and overstating revenues to hide a substantial revenue shortfall.

A MEMBER: Sounds like the Member from River Heights.

MR. CHERNIACK: Let me quote some statements, it so happens, from the Member for River Heights, who on May 17th, 1971, on page 975 of Hansard, is quoted as saying, "The statements of projected expenditures are conveniently low and the projected revenues are certainly optimistic". Further on, on Page 977 it is noted that he said and I quote: "I can't help but suspect that a year from now we will all be calculating the amount the government has overspent on this budget. If that happens, Mr. Speaker, we will have to seriously question the competence of the Minister. He is a righteous man but there is little in this budget to make us optimistic about his handling of our affairs. I will not now charge that the spending estimates are incomplete but that the revenue figures are impossible of fulfillment, but I would warn the Minister that we will be watching him closely, because I suggest that the government has again promised more than it can deliver. I suggest the government's own mismanagement is getting them into a tight fiscal corner". Does the Honourable Member from River Heights have something to say?

MR. SPIVAK: Yes, Mr. Speaker. I have \$18 million of special warrants in front of me that I can add to the Estimates of last year.

MR. CHERNIACK: Mr. Speaker, again I depart from my text to note that the Leader of the Opposition was a member of government for a period of time, and should well know, having been a member of Opposition as well, that when special warrants are issued they are charged up as current expenditures, and he should well know that when I make the statement as I did but a few moments ago, that we expect to show a surplus in this current year, then he should well know that the amounts shown in special warrants for the year have been included in those calculations. Now I'm not prepared to --(Interjection)-- The Leader of the Opposition -- and I must repeat to him his words on 978 of last year's Hansard said: "Now it is very curious, Mr. Speaker, no matter how you slice it the arithmetic that the Minister's used just doesn't look right; it is almost enough to arouse suspicion that someone has cooked the books a little

(MR. CHERNIACK cont'd) but since the Minister is an honest man", -- and I depart from the quotation to thank him for that recognition -- "we know that that can't be true" -- and now I depart from my text to wonder how he combined the two into one sentence. "But that means that perhaps the Minister hasn't been paying much attention to his job because those figures just don't add up, Mr. Speaker". And I leave the quotation momentarily and I come back to mention the fact that I am not aware of any year in the last ten years that I have been around, or before that, where special warrants were not included in current expenditures, nor am I aware of any year where there haven't been more expenditures and more revenue in every year, and I don't recall a year in which there was a deficit. The fact therefore is, Mr. Speaker, that when revenues are stated in a budget, as they will be tonight, they are stated on what is expected as being rather well foreseen, and then one finds that as expenditures grow, many times revenue grows, and if the Honourable Leader of the Opposition is not aware of that, or the economics of it, I will be glad to explain it to him when he has enough time to give to me privately. --(Interjection)--

Well, Mr. Speaker, the day following the speech made by the Leader of the Opposition on May 18th, 1971, the House Leader of the Liberal group apparently shared the view, he stated, again I quote: "As far as the figures in this budget go, Mr. Speaker, our analysis tells us that there is not a realistic accounting. There is evidence to suggest that the government has conveniently overstated its revenue, and coincidentally understated its expenditures in a contrived effort to make it look as though this was a balanced budget". Now the Honourable Member, the Leader of the Opposition, makes the point: "Well didn't you understate revenues?" The fact is that they accused us of overstating revenues; and the fact is that revenues were not overstated but in fact were understated, so that, Mr. Speaker, I have just announced that the government will realize a surplus for the 1971/72 fiscal year thus substantiating fully the information I presented a year ago. Clearly there was no manipulation in last year's budget, and there is none in this year's budget, and there will be none as long as this government may remain in power.

BUDGETARY POLICY 1972/73

Earlier I emphasized that this budget would contain the initial elements in a fiscal policy upon which significant new directions for the Government and the people of this province can be based. Also, I reviewed the inadequacy and the inequity of the taxation and fiscal arrangements decisions which the Federal Government announced last June. But, while our revenue sources are clearly limited, there is room for some flexibility and reform - which will permit the achievement of far greater equity in the tax structure.

Our Government has recognized this fact and we have dedicated our every effort to pursuing all possible means of attaining equity, both in our own provincial revenue structure, and in local government tax systems across the Province. In the less than three years since we have held office, much has been achieved in this area of taxation policy. In our initial budget, in September of 1969, we effected a major taxation shift by reducing the Medicare portion of flat rate, regressive health insurance premiums and by replacing lost revenues through additional progressive income taxation. In terms of the Province's budget for the first full year of this change, the measure represented a yearly shift of at least \$28 million.

Subsequently, we undertook to assume a greater portion of the cost of the education foundation program by raising the provincial percentage share of foundation grant expenditures, and by reducing the foundation program mill rate applicable to farm and residential property. The increase in the provincial share of the foundation plan from 70% to 75% last year represented both an additional provincial expenditure of some \$6 million annually - and - more important - a corresponding reduction in the burden of the total property tax base in Manitoba, --(Interjection)-- and the Honourable Member for Fort Garry in his ignorance seems to think that just by -- and he is still yelling -- the fact is that if he doesn't know that school costs and education costs are rising then I request him to listen and learn more about the extent to which education costs on the side of the Provincial Government has grown along with that of the municipal governments. And when we were able to transfer \$6 million by assuming a greater percentage of the foundation program, by doing that we reduced the increase in the other -- and now I do hear the brain that I referred to before. Mr. Speaker, I have hope that I am speaking to the people of Manitoba today because I am surely not speaking to the closed ears that I find across the aisle from here.

(MR. CHERNIACK cont'd)

Well, Mr. Speaker, a year ago . . .

MR. SPEAKER: Order please. Order.

MR. CHERNIACK: A year ago, this Government announced a further tax shift to take effect during the 1972 calendar year - the school tax reduction program. Under this program, resident homeowners and tenants will receive benefits equivalent to 50% of the school taxes on their dwellings, up to a \$50 maximum. Homeowners will receive the benefits of this program in the form of reduced school property tax bills this summer, while tenants, who are in rented premises on September 30th, will receive benefits either in the form of cash payments from their landlords or a rent reduction in one rental period. The cost of this program for 1972 has been estimated at some \$12.5 million.

The total tax shift represented by these three measures alone, amounts to about \$46.5 million. And, of course, this total reflects only a part of the over-all transfer of expenditure burdens from more regressive revenue sources. Natural growth in provincial expenditures related to these programs - including the Medicare premium tax shift and the foundation program expansion - has accounted for further provincial underwriting of costs previously financed through extremely inequitable forms of taxation. A reasonable estimate of this natural program growth since 1969/70, involving only the measures I have already mentioned, is probably about \$33 million in terms of the Manitoba budget for 1972/73. And, this estimate does not include the major charges to our general revenue related to our present decisions to increase our share of health and education costs, rather than permit increases in hospital insurance premiums, and in tuition fees.

However, it is appropriate in any summary of natural growth in provincial expenditures intended to reduce regressive tax pressures, to include increases in costs of grants in lieu of taxes and unconditional grants to municipalities, and assistance in respect of field service programs under the Department of Health and Social Development. Growth in these additional items totals some \$10 million since 1969/70, and the list may be extended even further. The point is, that this Government has clearly been successful in reducing burdens of regressive taxation throughout the past few years. But much more remains to be accomplished.

For this reason, I am extremely pleased to be able to announce tonight details of a massive and most significant tax decrease and redistribution to ensure far greater equity in the provincial tax structure.

First, this Government intends to cut the burden of property taxes for school purposes by a new \$28 million program related to 1972 school taxes, which - for the year, 1972 - will be over and above the \$12.5 million school tax reduction plan which I described a few minutes ago. For reasons which will become clear in a moment, it is our intention to phase out the 1972 school tax reduction plan at the end of the current year and to replace it with this larger and more efficient system.

Our new system of reducing school property tax burdens will take the form of an education property tax credit plan to be implemented in respect of the current year. This plan will provide for payment of tax credit benefits to owner-occupants of dwelling units in the Province as well as to renters of residential premises. Under this program, property tax cuts will be related not only to school property tax, but also to income levels, to ability to pay, which has never before been practicable. It will be made possible under an agreement with the Federal Government, which will administer the provincial tax credit plan in conjunction with the Manitoba individual income tax.

The new tax credit system will have a degree of administrative simplicity which will make it especially advantageous. Every Manitoban who owns a home, lives in it, and is required to pay school property taxes, and every renter of residential premises whose landlord pays school property taxes in the normal way, will simply complete a special education property tax credit section included with his or her annual personal income tax return, and will be able to deduct the appropriate credit amount from his or her personal income tax total. Where the credit amount exceeds the personal income tax total, the individual will still enjoy the full benefit of the credit included in his or her income tax refund cheque.

In cases where a qualified individual is not required to pay personal income tax because of low income, and would not ordinarily be required to file an income tax return, that individual will be eligible for a credit and can claim the maximum amount simply by filing an income tax return and submitting it in the usual way. In these circumstances, the income tax return will

(MR. CHERNIACK cont'd) constitute an application for the credit, and the benefit will be paid to the individual by cheque. For administrative reasons, it has been necessary to stipulate that all persons claiming a credit must submit an income tax return, even if they may have had only a very small income - or no income whatsoever - during the year. Our Government intends to set up the necessary administrative mechanisms to ensure that everyone in Manitoba who is qualified can take full advantage of the new plan.

As I indicated earlier, the new Manitoba education property tax credit plan will come into effect in respect of the current year, and the first benefits will be paid when the 1972 income tax returns are filed in the Spring of 1973. --(Interjection)--

Members will be interested --obviously one member is interested -- in some of the specific details of the credit plan for 1972:

Tax credit benefits will be calculated by means of a formula which will take into account an individual's school taxes paid, either directly or through rent, and his or her taxable income.

The maximum credit which any person may receive will be \$140 -- and I am not prepared now to enter into debate discussing the difference between this plan and other plans but I would point out to the honourable member who called out, as he often does from his seat, that this plan includes an ability-to-pay feature in it and the rich will not be getting as much as they may get in other provinces -- in other words, no one entitled to an education property tax credit can receive more than \$140, or less than \$50, in most cases.

No eligible person will receive benefits in excess of his school property taxes (or rental equivalent) for the year.

For a person living in his own home and paying school taxes in 1972 in excess of \$140, the tax credit will equal \$140, less 1% of taxable income. The minimum credit amount in such a case will be \$50.00.

For renters, there will be a slightly different formula. It has been estimated that approximately 10% of each year's rent is attributable to school property taxes, and it is this percentage - 10% of annual rent - that will be used to determine the "rental equivalent" of school property taxes for the purposes of the tax credit. If 10% of yearly rent equals \$140 or more, the renter's tax credit entitlement will be determined by deducting 1% of his taxable income from \$140.00. The \$50 minimum credit will also apply in this case.

And at the conclusion of this address, I will table a summary of further specific details of the new plan.

Mr. Speaker, legislation which will provide formally for the establishment of this new system will be introduced this session. At present, we are still discussing with the Federal Government whether any expenditure outlays will be required by Manitoba towards the end of the current fiscal year for the operation of this program. I may say that we have received excellent co-operation from the Federal Government and I want to express my appreciation to the former and the present Federal Ministers of Finance and to their staffs, and to the Minister and Staff of the Department of National Revenue. This is an example of good Federal-Provincial co-operation which hopefully will continue and grow.

As I mentioned earlier, this tax credit plan is the most important feature of the over-all program of tax cuts which this Government proposes to implement in respect of the current year. For the first time, it will be possible to reduce the burdens of school taxes on property by means of a system which will take into account both the school taxes paid by an individual - and the ability of that individual to pay these taxes. --(Interjection)-- By including taxable income in the formula used to calculate tax credit entitlements, recognition will be given to total income and to family size - both of which are major determinants of ability-to-pay.

The positive redistributive effects of the tax cuts made possible through the credit plan are clearly reflected in the numbers of Manitobans who will receive benefits under the new system. There are approximately 274,000 dwelling units in the Province at the present time. About 31% of the owners and renters of these residences could receive the maximum \$140 credit. A further 43% could receive credits between \$100 and \$140. Some 21% could receive benefits ranging from \$50 to \$100, and most of the remaining 5% will be entitled to the minimum payments. So - virtually every Manitoban who pays school taxes will benefit significantly from this plan, but the greatest benefits will be directed where they are most needed - to those individuals and families in the low and middle income groups - upon whom property taxes have been most burdensome.

Later I will table a schedule illustrating the major tax cuts which will result from this

(MR. CHERNIACK cont'd) new system, which I would ask to have included in Hansard at this point.

**EXAMPLES OF BENEFITS UNDER THE MANITOBA
EDUCATION PROPERTY TAX CREDIT PLAN***

<u>GROSS INCOME</u>	<u>SINGLE TAXPAYER</u>	<u>MARRIED TAXPAYER</u>	<u>MARRIED TAXPAYER</u>	<u>MARRIED TAXPAYER</u>
			<u>1 DEPENDANT UNDER AGE 16</u>	<u>2 DEPENDANTS UNDER AGE 16</u>
\$	\$	\$	\$	\$
3,000	127	140	140	140
3,500	122	136	139	140
4,000	117	131	134	138
5,000	107	121	124	127
6,000	97	111	114	117
7,000	87	101	104	107
8,000	77	91	94	97
9,000	67	81	84	87
10,000	57	71	74	77
11,000	50	61	64	67
12,000	50	51	54	57
13,000				
AND OVER	50	50	50	50

* All examples assume school property taxes or rental equivalents are \$140 or more for the year.

The table shows that the head of a household, with married status, and with two children, who earns anything less than \$4,000 per year will receive the full \$140 credit provided the school tax or rental equivalent is not less than that amount. The same person could earn almost \$8,000 and still receive a credit benefit of nearly \$100. Even at the \$12,000 income level, the benefit would be \$57 - or \$7 more than the standard minimum credit amount.

. . . . continued on the next page

(MR. CHERNIACK Cont'd)

A married person who supports a spouse will be able to earn almost \$3,500 and still qualify for the maximum of \$140 credit. Such a person could have an income of slightly over \$7,000 and still receive a credit in excess of \$100.00. The standard minimum entitlement level of \$50 again would not be reached until that person's income was over \$12,000 per year.

For single persons, the benefit levels will be scaled down somewhat to reflect the fact that such persons do not have to provide for any dependants, but even in these cases, the credit amounts will be substantial. A single person will be able to earn slightly over \$1,600 and qualify for the maximum of \$140 credit benefit, depending, of course on his or her school tax or rental equivalent. At the \$5,000 income level, a single person would receive a credit of \$107.00. At the \$10,000 level, the credit would be \$57 - again, still above the standard minimum \$50 amount.

In connection with the obvious progressivity of the benefit schedule under the new plan, it should be pointed out that the two groups who are generally recognized to have borne perhaps the most disproportionately onerous share of education property taxes in the past - the elderly, on low and fixed incomes, and farmers, who often have large amounts of property subject to school taxes - will receive benefits which will take these burdens into account far more than any previous system. Our calculations indicate that of all pensioners who normally file income tax returns and are eligible for education property tax credits - some 23 percent will receive the maximum \$140 credit and a full 94 percent will receive benefits in excess of \$100.00. All but about 1 percent will be entitled to credit amounts above the standard \$50 minimum.

It is also expected that around 66 percent of Manitoba farmers who normally file income tax return will enjoy the maximum credit amount of \$140, while a further 30 percent will have school tax credits of between \$100 and \$140.00. Thus 96 percent will be receiving benefits in excess of \$100.00. Over-all, every eligible farmer in this province will be entitled to a credit of no less than \$50 except of course in the rare case where his school tax is less than \$50.00.

This tax credit constitutes only one of two measures aimed at relieving the burden of school property taxation. The second major element in our tax redistribution plan will involve a further increase in the provincial share of the education Foundation Program from 75 percent to 80 percent, which is to be effective in 1973. It is expected that this additional property tax relief will cost the Provincial Government in excess of \$6 million next year based on present estimates. I appreciate the fact that on this occasion tonight the Honourable Member for Lakeside is considerate of the fact that I have the responsibility of continuing to speak. I thank him for his encouragement. As the Minister of Education has indicated, he is carefully reviewing the rapid escalation in school costs. On the assumption that steps can and will be taken to reduce these increases, this further new expenditure by the province - just as in the case of the education property tax credit plan - should signify a corresponding, equivalent reduction in property taxes which otherwise would have been levied to finance education in Manitoba.

In total, the combined property tax relief represented by these two expenditure measures, that is the education property tax credit plan and the additional share of the education Foundation Program, will amount to about \$34 million in an ordinary 12-month period. Previously, I indicated that earlier budgetary decisions made by this government totalling \$46.5 million, along with natural growth in related program areas totalling \$43 million, represented a direct transfer of almost \$90 million in expenditures from more regressive forms of tax support to the more progressive general provincial revenue base. When the new measures I have just announced tonight are included in this total - and a deduction is made to take into account the termination of the 1972 school tax reduction program at the end of the current year - it is possible to conclude that in the less than three years which this government has been in office, we have succeeded in refinancing at least \$111 million on a present annual basis in total provincial and local government expenditures to relieve the pressure of unfair taxation on low and middle income groups. This, Mr. Speaker, is a remarkable achievement for a government which has administered this province for barely 33 months. And it is all the more remarkable, when it is remembered that it has been accomplished within a revenue structure which has been severely limited by the failure of the Federal Government to offer meaningful fiscal reform.

Of course, Mr. Speaker, the value of basic alterations in the pattern of governmental financing on the expenditure side must be complemented by appropriate modifications on the revenue side if maximum equity is to be ensured. As I indicated earlier, Manitoba had looked

(MR. CHERNIACK cont'd) forward to positive, progressive revisions in the federal-provincial income tax structure as a result of the tax reform debate. But, as I also indicated before, the outcome of the debate was extremely disappointing and our government was thus required to turn to other provincial revenue sources to seek the most equitable alternative method of partially, partially supporting the tax relief and decrease measures which I have just announced.

First, let me say that the alternatives this government will propose will involve no general sales tax or income tax increase in 1972. The changes I am about to announce will have minimal effect on most Manitoba residents.

A thorough review of all aspects of taxation in Manitoba revealed that certain selective adjustments in consumption taxation would afford the best possible means of attaining our basic goal - to make certain that the full benefits of our new tax relief measures will not be negated by tax increases which would have a burdensome impact on the very people the education tax - education property tax credit plan and the expansion of the provincial share of the Foundation Program are designed to help.

The Manitoba Revenue Tax Act has been under continuous study since this government took office. This evaluation showed that it would be possible to make certain major amendments to the province's sales tax legislation which would have significant revenue impact in some cases, and yet would not affect Manitobans generally. The evaluation also showed that there were several areas where the burden of the sales tax should be relieved.

In the interest of achieving greater equity, particularly for the low income groups, we will propose a number of new exemptions under The Revenue Tax Act. Purchases of used clothing, and used furniture up to \$25 plus certain sales of used footwear will be exempt, as will several items of specialized safety clothing, namely - safety hats, safety work boots, welders' goggles, and asbestos gloves.

The Revenue Tax Act presently provides for taxation of vehicles requiring registration under The Highway Traffic Act, including both new and used motor vehicles and trailers. We now tax sales of new aircraft and snowmobiles and we propose to extend this provision to cover sales of such items when used, as well. At present, where a motor vehicle is purchased without a trade-in, and another similar item is sold by the purchaser within 14 days, a refund is permitted up to the tax payable on the sold vehicle. A similar provision will be extended to trailers, used aircraft and snowmobiles. All these changes are to take effect on May 1st.

Besides these additional exemptions under The Revenue Tax Act, the basic amusement tax exemption under The Amusements Act will be raised from 60 cents to \$1.00, also effective May 1st. This change will be beneficial to the operation of theatres in certain rural communities and, of course, will also mean a continuing exemption for many childrens' admissions to various events. All taxable admissions over \$1.00 will continue to be taxed at 10 percent just as before. In this connection, I'd like to mention, Mr. Speaker, that a general study of the entire area of exemptions under amusement taxation is now underway. These exemptions are in reality grants by the province and possibly should be treated as such.

As I pointed out earlier, a general review of taxation in this province, which was completed recently, indicated that the government could partially finance its planned measures to bring about property tax relief without the necessity of implementing general and potentially regressive tax changes. It became clear that this could be accomplished by terminating - on a selective basis - certain exemptions under The Revenue Tax Act, and by altering certain rates in respect of other revenue sources.

Consequently, we now propose to eliminate the exemption provided under The Revenue Tax Act for most categories of production machinery and equipment - with the very important exception of farm machinery and equipment. This change will take effect May 1st, but special transitional provisions will be established to cover various transactions which may appear to "straddle" the effective date of the removal of the exemption.

The inclusion of production machinery in the provincial sales tax base will bring our legislation into line with the majority of the 9 provinces which have sales taxation. At present, five provinces - British Columbia, Saskatchewan, Ontario, Quebec and Newfoundland apply their sales taxes to production machinery. Manitoba will thus be the sixth province to do so.

The effect of this tax change in revenue terms will be an estimated increase in the yield of the provincial sales tax of \$7 million in 1972-73, and \$12 million in 1973-74.

From the standpoint of the business firms involved, and the economy as a whole, it is our expectation that there will be negligible impact. First, businesses will be able to deduct

(MR. CHERNIACK cont'd) the cost of the provincial sales tax as an expense in calculating their corporation income tax liabilities. This will mean, in simple terms, that for many firms, the effective rate of tax will be cut approximately in half - that is when they are paying 50 percent corporation income tax. As for the deduction from income involved in corporation income tax calculations, it is interesting to note - again in many cases - that the Federal Government will bear by far the larger proportion of the revenue loss, as it already does in the five provinces which presently tax production machinery sales.

And with respect to any broader potential economic implications, I should repeat that it is unlikely that there will be perceptible impact. Most of Manitoba's output of machinery and equipment consists of farm machinery, which will not be taxed. Purchases of taxable machinery are generally made outside the province so, though tax will be levied when the machinery is imported into Manitoba for use in the province, any impact on machinery manufacturers in Manitoba will be marginal. As for future investment effects, data from other provinces show clearly that the relatively insignificant "cost" factor implied by the 5 percent - or more accurately, in many cases, 2 1/2 percent - sales tax should not deter plans for capital expenditures in the province.

Presently, the Manitoba Revenue Tax Act exempts purchases and repairs of aircraft normally engaged in foreign or interprovincial trade. This exemption will be eliminated and such aircraft will be taxed on the basis of mileage of use within Manitoba. It should be noted that British Columbia and Quebec currently tax international and interprovincial aircraft on a mileage basis.

The statutory definitions of the Revenue Tax Act which currently exempt certain petroleum products are to be amended to subject purchases of lighter fluid and solvent naphthas to sales tax.

The Revenue Tax Act now exempts only commercial vessels of more than 200 tons gross. All such vessels will now be taxed. -- (Interjection) -- Well you were there. Maybe you weren't.

The revenue tax rate applicable to the sale of spirits, wines and imported beer - and I see some members are already reacting with personal dismay - the revenue tax rate applicable to the sale of spirits, wines and imported beer will be increased from 5 percent to 10 percent effective June 1st. No tax increase will take place in respect of Canadian beer. Also, since it is deemed desirable not to increase the price of table wine under \$3.00 per bottle, administrative arrangements will be made with the Liquor Control Commission to reduce prices on such wines by an amount sufficient to offset the increase of 5 percent in taxation. The resulting revenue gain from this rate change is estimated to be \$2 million in fiscal 1972-73, and \$3 million in fiscal 1973-74.

The various rates of taxation applicable under The Tobacco Tax Act will be increased on May 1st. The major effect of these rates will be to raise the price of cigarettes by 1/5th of a cent each - or 4 cents for a pack of 20, and 5 cents for a pack of 25. A more detailed summary of the changes proposed in the Tobacco Tax Act will be outlined in an appendix to this statement. The over-all result of the increase in the tobacco tax will be an estimated revenue gain of \$3 million for fiscal 1972-73 and \$4 million in 1973-74.

A tax levied at a rate of 10 cents per acre on mineral rights with respect to parcels of 40 acres and over held by corporations will become effective January 1, 1973. Saskatchewan currently collects a similar tax, and Alberta imposes a 5 cent per acre tax, but on all mineral rights - both of corporations and individuals. This government does not propose to tax individuals under this new legislation. It is anticipated that the Manitoba tax will result in estimated revenues of \$300,000 for fiscal 1973-74, though virtually no revenues will be received during the 1972-73 fiscal year. It should be pointed out that for those who wish to surrender to the province mineral rights of little or no value this tax can be completely avoided. The purpose of this tax is simply to ensure that mineral rights which may be held for speculative purposes by corporations cannot be retained without some reasonable return to the people of Manitoba.

All of these taxation measures combined will result in estimated revenue gains of \$12 million in fiscal 1972-73 and somewhat less than \$20 million in fiscal 1973-74. It is apparent from the changes which I have proposed that the government has been able to minimize the impact of these revenue measures on individuals, though admittedly some people, I amongst them, will be affected by the higher rates on tobacco and on certain types of alcoholic beverages. But, in this latter connection, for those who prefer Canadian beer, or many varieties

(MR. CHERNIACK cont'd) of table wine, there will be no increased liquor taxes.

Mr. Speaker, before I conclude this section of my address, I want to stress one most important point. That is, that the cumulative effect of the tax changes proposed in this budget signifies a major tax decrease, accompanied by a partially-offsetting shift of tax burdens - through a series of taxation changes which are fully compatible with our basic equity objective. The following comparative figures clearly reveal the over-all effects of the change:

TAKEN FOR A FULL YEAR (12 MONTHS') REVENUE EFFECTS OF
OUR NEW MANITOBA PROGRAM OF TAX CUTS AND REDISTRIBUTION

<u>TAX CUTS</u>	<u>REVENUE EFFECT</u>
Education property tax credit plan	\$28.0 Million
Increase in Provincial share of Education Foundation Program from 75% to 80%	<u>6.0 Million</u>
Total Tax Cuts	<u>\$34.0 Million</u>
 <u>PARTIALLY-OFFSETTING TAX CHANGES</u>	
Changes in Revenue Tax Act	\$15.0 Million
Increase in Tobacco Tax	4.0 Million
Mineral Acreage Tax	<u>0.3 Million</u>
Total Tax Increases	<u>\$19.3 Million</u>
And The Excess of Tax Cuts Over Tax Increases	<u>\$14.7 Million</u>

It is obvious, then, that the measures I have announced tonight represent more than a tax shift; they represent a real and substantial tax cut and should have the desired effect in economic stimulation and expansion.

CURRENT AND CAPITAL ACCOUNTS - 1972-73

In summary, on current account - which reflects more accurately than in previous years the operating expenditures and revenues of government - we have budgetted for a small deficit of \$2.7 million. Expenditures are estimated at \$575,849,100 and revenues at \$573,143,668.00.

On the capital account side, the government is seeking authority for some \$393,466,100 in capital expenditures. It is likely that in the current year between \$300 and \$350 million of new investment will result from this and previously granted authorities. The broad breakdown is as follows:

- Utilities and other agencies of the government - \$292,376,000
- Debentures of local governmental organizations to be guaranteed by the province - \$8,721,600
- General governmental purposes - \$92,368,500 - making a total - \$393,466,100.00.

Although highly expansionary in its effect on the economy of Manitoba, the bulk of this capital program will not add to the general (sometimes called "dead weight") debt of the province, since so much of it is for enterprises of a self-sustaining nature. The foregoing figures include Manitoba Hydro, \$150 million; Manitoba Telephone System, \$19 1/2 million; Manitoba Agricultural Credit Corporation, \$8 million; Manitoba Housing and Renewal Corporation, \$55 million, to mention only a few. I am including as an appendix to my budget tonight all the schedules covered by our capital supply bill of the current session.

Mr. Speaker, faced with continuing high unemployment figures throughout the country we, along with many other provincial governments and the Federal Government as well, have embarked on an expansionary budget which results in what is technically called "deficit financing". We have included in our capital supply bill - to be paid for largely by borrowing - projects of a capital nature which represent lasting investments in colleges, universities, northern roads, and so on.

This is not a new policy designed by this government; it has been adopted in previous years and in differing degrees by our predecessors and it seems quite sensible in times of high unemployment to advance the pace of long term capital construction in order to provide employment not only for the benefit of the unemployed but also for the business community and economic well-being of Manitoba. It also seems sensible when items of a very unusual nature or represent some new departure into frontier investment such as our major plans for

(MR. CHERNIACK cont'd) the development of Churchill and our frontier and resource roads, to single such items out for borrowing and subsequent repayment over future years. Moreover, Manitobans will be provided with new services and facilities which will indeed pay for themselves over time - in direct and tangible economic and social benefits.

In the year 1972-73 it seems most appropriate to us, as it apparently does to many of our sister provinces, that we should not attempt to tax additionally for these additional public investments whose timing we are deliberately advancing to give us maximum benefits in increased employment in the months ahead.

Our total expenditure on "ordinary" or general government account will therefore come to something on the order of \$670 million dollars, that is (some \$578.8 million in current expenditures plus \$92.3 million in general purposes capital authority), and our additional assistance will lead to expenditures by utilities, agencies and local governments of approximately \$300 million.

In other words, Manitoba's budgetary position in 1972-73 could result in a net input into the economy in terms of current and capital expenditures of approximately \$970 million.

We have some important sources of funds. We expect that the Canada Pension Plan will provide us with around \$56 million, that the Central Mortgage and Housing Corporation will provide nearly \$50 million, that capital made available to us directly from the Federal Government for winter works and other loans, will come to \$15 million, and that numerous other sources of funds available for capital purposes will provide between \$5 million and \$10 million. We are therefore expecting to be borrowing for the general purposes of the Crown and our utilities something on the order of \$260 million.

Mr. Speaker, our credit standing has never been higher. Our market - both at home and abroad - is now wide enough to provide us with the funds we require to carry out programs such as those outlined here. We are not expecting any difficulty in meeting the goals set in these budgetary plans.

Mr. Speaker, while dealing with our budgetary plans, perhaps it would be appropriate to make reference to a general comment of the Provincial Auditor in his report as at March 31, 1971.

The Provincial Auditor made the comment that "There is no provision in the accounts of the province for deficits, obligations or losses which the Province of Manitoba may be required to assume resulting from investment in, advances to, and guarantees on behalf of provincial boards, commissions and agencies". The Provincial Auditor suggested that appropriate steps be taken to deal with any apparent losses incurred by certain specific agencies.

We have been considering with the auditor, and with the departments concerned, all the matters noted in the report.

The Manitoba Development Corporation in its annual statements provides for losses arising primarily from the operations of the Complex at The Pas. The government is aware that adjustments may have to be made to the capitalization of this enterprise. It is our opinion, however, that no decision should be taken with respect to writing off any part of the advances made to the Development Corporation and loaned by the Corporation to Churchill Forest Industries and the others in the Complex until such time as the official inquiry presently underway has completed its report and the outcome of the several court proceedings becomes clearer.

The Manitoba Water Supply Board is an agency of government which, since its inception in 1959, has continually recorded deficits in its operations. At the present time it has an accumulated deficit of some \$2.3 million. While the goal of the Board is to provide and sell water to the municipalities at a rate that will return to the Board over time the full costs incurred, it may be that we shall have to reconsider the financial planning that was put into effect for this purpose by our predecessors and that has led to these recurring deficits.

Another agent of the government, the Agricultural Credit Corporation, makes loans to farmers from funds borrowed or guaranteed by the province. The Provincial Auditor has noted that a number of the loans made by the Corporation are in arrears. No doubt, this is a result of the recent agricultural problems of which we are all aware. Consideration is being given to ways of dealing with losses that might finally arise. But, we hope that the arrears situation will improve and therefore we are not inclined to rush in with instant solutions.

Mr. Speaker, before I conclude, let me deal once again with the over-all twin thrust of the fiscal policy contained within this budget.

First, this government has introduced the most significant tax decrease and

(MR. CHERNIACK cont'd) redistribution yet undertaken in Manitoba to provide relief and equity in tax structures of both provincial and local governments. The burden of school property taxes will be reduced by \$34 million -- and the fact that somebody across the way is yelling "next year" at least should be recognition by him that had the previous government remained in power it may have been ten, twenty years.

MR. SCHREYER: . . . we know you, you nail the \$3,000 a year man, that's who you nail . . .

MR. CHERNIACK: The burden of school property taxes will be reduced by \$34 million, Mr. Speaker, and it is well that one can plan ahead and announce ahead rather than creeping along as has been the example given to us by previous governments. And this largely by means of a system which will take into account both the school taxes paid by an individual and the ability of that individual to pay these taxes. While virtually every Manitoban who pays school taxes will benefit significantly from this plan, the greatest benefits will be received by those individuals and families in the low and middle income groups upon whom school property taxes have been the most burdensome.

In the case of eligible pensioners in Manitoba, some 23 percent will receive the maximum \$140 credit available under the plan and a full 94 percent will receive benefits in excess of \$100.00. It is also expected that approximately 66 percent of Manitoba farmers will enjoy the maximum credit amount of \$140 while a further 30 percent will have benefits between \$100 and \$140.00. So it is estimated that 96 percent of Manitoba farmers will enjoy benefits of \$100 and over.

Mr. Speaker, I want honourable members to realize that we are talking about an application of credit related to 1972 taxes. I want members present to realize that when Ontario, just in the last month, made its transfer from the credit plan which it had before, to the tax credit plan, they are skipping a year because to effect an impact on '72 taxes they can only do so with a filing of income tax returns for '72, which honourable members should know are filed in the spring of '73, and will be related to taxes paid in '72, Mr. Speaker. So for the year '72 -- let's bear in mind, we had a choice, we could have followed the Ontario example and don't fault them for doing that as they did -- we could have followed their example we could have done the '72 tax credit which is going to be paid this year, some \$12 1/2 million will be paid this year, has been voted on last year, will be paid this year. We could have done that. We could have then said this new plan will work for the '73 year and therefore obviously it would take effect in the tax return file in the spring of '74. So that for the year '72, Mr. Speaker, we have announced a \$12 1/2 million tax credit plan announced last year, effective this year; we are also for this current year dealing with the tax credit plan based on '72 real property taxes to be filed and claimed and repaid during that time.

Now the Honourable Leader of the Opposition . . .

MR. SPEAKER: The Honourable Leader of the Opposition, point of privilege.

MR. SPIVAK: . . . for the purpose of accuracy in the House . . .

MR. CHERNIACK: No, Mr. Speaker. Is this a point of privilege?

MR. SPIVAK: Yes. I am wondering if the Minister . . .

MR. CHERNIACK: Does the honourable member say that he's up a point of privilege?

MR. SPIVAK: Are you sure that you're accurate in your . . .

MR. SPEAKER: Order. Order please. The Honourable the Minister of Finance -- (Interjection) -- there was none.

MR. CHERNIACK: Mr. Speaker, if any statements I've made are not accurate I will be glad to correct in time and when there is an opportunity.

I am pointing out, Mr. Speaker, that for this '72 year we are actually and have committed ourselves to carry out this shift. Honourable members opposite may be unhappy about that but that is their problem.

I say, Mr. Speaker, that what we have done and what we are making possible is without any general sales or income tax increases - and with little tax impact or burden on most Manitoba families or individuals.

The second thrust of this budget is expansionary. It is designed to provide increased employment in the province. The Canadian economy has been through a long period of severe underutilization of resources brought on by a federal policy of a reduction in demand. While some recovery in the national economy is now apparent, appropriate policies of stimulation must be followed at both federal and provincial levels in order to accelerate the process. For this reason Manitoba has repeatedly urged that expansionary fiscal and monetary policies be

(MR. CHERNIACK cont'd) adopted by the Federal Government.

The proper fiscal posture for the Provincial Government, then, must be to increase demand - and our specific vehicle is a planned budgetary deficit. Such a policy simply means that on current account the Provincial Government will spend somewhat more than it is predicted to receive in revenues. This, in addition to the government's planned capital expenditures, which are financed by borrowing, will have a significant impact on the provincial economy as a whole.

Mr. Speaker, this Social Democratic Government was given a mandate by the people of this province to develop budget policies which will promote and further the equality of the human condition in Manitoba. We have responded to this mandate and we have affirmed our dedication to it in the measures which we have undertaken here tonight.

So, Mr. Speaker, I beg to move, seconded by the Honourable Minister of Labour, that the Resolution reported to the Committee of Ways and Means be now read a second time and concurred in. Right? That's not the motion? Mr. Speaker, I have the wrong wording. . . (Interjection) --

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

MR. SPEAKER presented the motion.

MR. SPEAKER: The Honourable Leader of the Opposition.

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

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

MR. SPEAKER: The Honourable Minister of Finance.

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

MR. SPEAKER: The Lieutenant-Governor transmits to the Legislative Assembly of Manitoba estimates of sums required for the service of the Province for Capital Expenditure, and recommends these Estimates to the Legislative Assembly.

The Honourable Minister of Finance.

MR. CHERNIACK: I beg to move, seconded by the Honourable the Attorney-General that the message of His Honour together with the Capital Estimates be referred to the Committee of Supply.

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

MR. SPEAKER: The Honourable Minister of Labour.

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

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

MR. SPEAKER: Before I adjourn the House the Honourable Minister of Labour wishes to indicate that the . . .

MR. PAULLEY: I was just wondering, Mr. Speaker, whether the members would stay in the House until there is a distribution of the documents referred to by my colleague, the Minister of Finance.

MR. SPEAKER: Order, please. The motion being carried, the House is accordingly adjourned and will stand adjourned until 10:00 A. M. tomorrow morning.

The Appendices to the Budget Speech will appear in the next issue of Debates and Proceedings (Hansard).