

THE LEGISLATIVE ASSEMBLY OF MANITOBA
8:00 o'clock, Thursday, May 13, 1971

INTRODUCTION OF GUESTS

MR. SPEAKER: Before we proceed I should like to draw the attention of the honourable members to the gallery where we have 50 students of Grade 9 standing of the Arborg Junior High School. These students are under the direction of Mr. Schneider. This school is located in the constituency of the Honourable Member for St. George. On behalf of all the honourable members of the Legislative Assembly I welcome you here today.

The Honourable Minister of Finance,

BUDGET ADDRESS

MR. CHERNIACK: Mr. Speaker, the Province of Manitoba has entered its second hundred years of participation in the Confederation of Canada. Yet, as the 70's begin, this country is still confronted with major defects in our economic and social system. The failure of present policies are revealed in the mass unemployment of workers, the desperate plight of such primary producers as our farmers and fishermen, the hardships endured by the neglected poor, the squalor of the slums, and the pollution of the environment. In acute form, it is underscored by our inability to provide meaningful opportunities for our youth.

Before outlining the intentions of this government for 1971-72, I want to review some general philosophical considerations that underly the development of programs and policies by this social democratic government.

It is a goal of this government to direct Manitoba's economy towards the needs of all of the people, rather than those few who possess power because of their wealth or influence. We are committed to win the fight to root out inequity, and to achieve a humane society that responds, through the democratic process, to the actual needs of all of our citizens.

The Government of Manitoba firmly believes that society's first obligation is to alleviate the condition of the millions - yes, literally the millions - of Canadians who are now living in conditions of economic, social, and cultural misery. The policies of the old-line parties have shown that when in office, they are the spokesmen of the privileged and the elite. The results of their policies are all too obvious in the inexcusable disparities in income, education, housing, health and social development throughout this land. The results have also meant the existence of far too many alienated groups in Canada; the native people, the pensioners, the rural poor, the urban poor, and perhaps the most tragic group of all, young people, students and dropouts alike, who are completely dissatisfied and disillusioned with the economic and social order, and are frustrated by the refusal of governments to reorder their priorities.

The essence of this social democratic government is to promote the equality of the human condition. This objective, to seek greater equality for all Manitobans, is the common theme of all this government's policies. It is evident (and I will elaborate on this later), in our redirected health and social development programs; in our revitalized goals for rural and northern development; in our new agricultural projects; in our emphasis on public housing construction; in our urban reorganization plans directed to equalization; and, of course, in our reformed taxation policies based, as much as possible, on "ability to pay".

In order to achieve needed reforms, a pattern of nationwide economic and social criteria must replace the narrow tests of individual profitability that now guide most of our public decisions. For many years, social philosophers have been warning us that society faces a glut of private goods and a famine of public goods. The truth of these warnings is self-evident today. While our stores are jammed with every kind of electrical gadget and toy, governments from the old-line parties attempt to place arbitrary limits and ceilings on the great social programs such as medicare, hospitalization and education. Even where the gross national product increases each year, we are told that there are not sufficient funds for policies and programs aimed at eliminating regional disparities and for bettering the condition of the one-fifth to one-quarter of all Canadians who presently exist on poverty incomes.

We are living in a system in Canada that has led to an absurd imbalance. We are lavish in the production of things that add little to the welfare of all Canadians - such as competing soaps, yearly car model changes, three supermarkets in the same shopping centre, three or four gas stations at the same intersection, extravagant advertising expenditures that sell but do not inform, and general built-in obsolescence. At the same time, we skimp on all goods

(MR. CHERNIACK cont'd.) and services that are provided collectively; that is, on schools for education, hospitals for health, urban renewal projects, pollution control, low-cost housing and all forms of social services. This government rejects this chaotic condition and is prepared to work for the development of a system in Manitoba, responsive to the public needs and concerned with overall public social and economic objectives. Naturally, in a confederal arrangement, the efforts and resources of one provincial government are restricted and we can't always achieve, immediately, as much as we would like to achieve. However, we shall at least shape the direction of our objectives and attempt to accomplish them step by step.

Let me be clear regarding the technical apparatus the Manitoba Government intends to employ in developing a more equitable society. This government accepts the advantages of a mixed economy. We do not advocate the wholesale substitution of public for private ownership, though, as in auto insurance, we shall continue to advocate public ownership by the people of this province where necessary and desirable. The crux of things is that there are areas of desirable economic and social activity where the criteria of private profit alone is not sufficient to determine progress. Given the present economic system, this does not mean that the private sector should be faulted for its criteria of profitability. However, response to unmet social and economic needs requires the development of co-ordinated planning that will involve the people themselves. Such planning cannot be achieved through private, unco-ordinated activity. This government believes that government must be activist, an initiator of events, at times an initiator of enterprise as well, and not merely a passive last recourse in failing circumstances.

An excellent example of the lack of public planning by successive federal governments is the steady erosion of our national economic independence. No other country in the Western world has allowed so much of its natural resources, of the ownership of its industry, and of the decision-making power of its economy to fall into foreign hands as Canada has done. We should not blame the Americans, the Japanese or the British, for gradually taking over our firms and industries. One can't help but observe that governments have quietly acquiesced in the lack of planning, control, and knowledge that has determined the foreign domination of our economy.

As a still better example, there is the current illustration of policies not concerned with planning and equity, namely the massive and socially destructive unemployment crisis deliberately created by the Liberal Government in Ottawa.

It is of little satisfaction, to me, to point out that this government predicted a year ago, precisely the consequences that would follow from the policies that the federal authorities stubbornly imposed upon the national economy. To predict a disaster is not to avert a disaster; only now does it seem that the truth of the prediction is being understood. Two ex-cabinet ministers of the federal government have denounced federal policy in terms even harsher than anything this government has said.

This past winter, Canada experienced the largest levels of unemployment in a decade, with unemployment figures registering far over two-thirds of a million people, numbers that when translated in terms of family support meant that anywhere from one to two million Canadians were immediately affected by the federal government's destructive economic policies. It is the poorest, weakest and the most alienated in our society who have borne the brunt of these calamitous events.

There should be only one policy by the government of Canada that is acceptable to Canadians, and that is a commitment to full employment, as it is defined with unemployment not more than the 3 percent level recommended by the Economic Council of Canada. The disaster that has been brought upon us by the abandonment of full employment as an over-riding goal, has already shown what heavy unemployment does to individuals and communities alike. The waste of goods, the pointless hardship - these things have been visible again this winter as they have not been visible for many years. The Government of Manitoba calls upon Ottawa to remember its promises of a quarter century back, clearly articulated in the 1945 White Paper on Employment and Income, when Canada was assured that the elementary lesson had been learned that full employment must be a foundation for a decent and humane society.

While recognizing the need to control inflation and rising prices, last June at the Ministers' of Finance meeting here in Winnipeg, I suggested alternative federal policies that could be developed. The present policy of deliberately creating mass unemployment must be rejected, and emphatically.

(MR. CHERNIACK cont'd.)

Clearly, the efforts of the Government of Manitoba to give full dimension to our policies have been restricted by the federal government's war on inflation - in the form of unemployment for many of our citizens and limited federal support for public programs.

The Budget Address that I present to you tonight spells out in specific terms the intentions of this government for 1971-72. The usual practice of tabling an economic review will be followed, and accordingly, I have made copies available for distribution to Honourable Members. The Budget and the Economic Review have been framed in the context of economic circumstances which, despite the damage inflicted by federal government policies, shows some sign of recovery.

EMPLOYMENT:

The Government of Manitoba made explicit provision for the looming crisis in employment as long ago as the Spring Legislative Session of last year. At that time, special "general purposes" authority was established as a capital reserve to fight unemployment. Thus, when it became obvious that the federal government was not prepared to act, despite the urgings of many concerned citizens, the Manitoba Government took action to stimulate economic activities in the province and the capital program was immediately utilized. In a series of major policy statements by the Premier, the time-table of provincial capital works of housing, of municipal works, and of various lesser items were quickly accelerated.

We would not sit idly by waiting for the federal government to correct the consequences of their economic policies while the jobless figures continued to mount. Naturally, any provincial government's ability to remedy massive unemployment is circumscribed by the openness of a provincial economy and the limited range of its fiscal and monetary powers. In a rational world full employment would be the assumed result of policy at the federal level, for this is where the powerful instruments of control exist. Nevertheless, the province has done and will continue to do what it can to overcome Ottawa's dereliction.

A very rough estimate of the cost to the national economy of the federal crusade against inflation has been approximated at \$4 billion a year by the Chairman of the Economic Council of Canada. We estimate the corresponding cost to the Manitoba economy, was about \$150 million a year. The human counterpart is found in the hundreds of thousands of Canadian citizens who have lost their jobs and whose families have been so often exposed to hardships that are no fault of theirs. It has been expressed in financial terms in the crisis of escalating welfare costs that provincial and municipal governments have faced.

If the federal government continues to ignore or dismiss the situation and accepts the unemployment levels which ranged from 5% to 6% throughout this year, it will compound its drastic errors.

Manitoba, as a result of this government's early and decisive response to alleviate unemployment significantly cut the unemployment which had been forecast for the province for the period 1970-71.

Let me just mention here, Mr. Speaker, that the current statistics on unemployment released this morning, reflect the seriousness of the situation. As my colleague, the Minister of Labour reported to this House this afternoon, the seasonally adjusted national unemployment rate jumped from 6% to 6.7% of the labour force, and actual unemployment in fact rose by 9,000 persons, from 650 thousand to 659 thousand, in a month when it should have fallen for seasonal reasons by 60 thousand or more. In Manitoba, against this dismal federal background, the situation actually improved for the third month in a row. Unemployment fell from 20 thousand to 18 thousand, or in percentage terms, from 5.4% to 4.8%. The fact is that rational expansionary policies at the provincial level have caused this notable difference in performance.

Together with all other provinces, we are dependent on the overall approach toward monetary and fiscal matters exercised by the federal government. The federal Summer Budget must announce decisive action to combat unemployment. To do otherwise would be to risk the danger of further injuring the economy as well as sacrificing the future of a multitude of Canadians.

POVERTY AND HUMAN DEVELOPMENT:

The Government of Manitoba has taken as a special mandate the responsibility to respond to hardships experienced by the sick, the aged, the needy, by all those who are

(MR. CHERNIACK cont'd.) disadvantaged and alienated from our society. We consider that one of our major tasks is to clarify and articulate the problems that the disadvantaged face, so that coherent solutions can be found; solutions that are properly proportioned to the scale of the problems and that are technically efficient in form.

It is our hope that through our programs and policies it will be possible eventually, for every Manitoban to be assured of the services that are essential to his or her well-being. We believe that the social policy of the federal government's, as indicated in its White Paper on Income Security, is completely inadequate. Existing piecemeal social development programs should be transformed into an integrated income security system. The implementation of an adequate guaranteed income scheme should be carefully considered. Such action would establish once and for all satisfactory minimum income standards as a right for all Canadians.

In regard to existing social development services in Manitoba, legislation was passed at the last Session lowering eligibility criteria so that provincial assistance would be available for more needy persons and families. More recently, Manitoba was one of only two provinces which passed on directly and in full, the benefits accrued by recent increases for old-age pensioners with guaranteed income supplements. As a result of these actions and the more responsive policies of this government taken together with the more flexible administrative attitudes of the Department of Health and Social Development, more people in need are getting help faster.

I am informed that the Department of Health and Social Development has adopted a planning approach to its operations and has conducted several basic research studies into important health and social service areas. The first major attempt in Manitoba to rationalize the overall health and social services for a key segment of the province's population is implicit in the study now underway by the Department to determine the needs of our elderly citizens.

Other priorities are being responded to: programs to protect and to salvage the environment are being expanded; new techniques for teaching and learning, to make education accessible for all, are being investigated; our legal system is being reviewed so that it may more adequately reflect compassion in the provision of justice; many more methods of informing, educating, and directly protecting consumers more fully are being considered. As announced in the Throne Speech, the government intends to provide the funds for new and expanded programs at all levels for Manitobans of native ancestry. The list goes on and on.

HOUSING:

There can be no doubt that the lack of adequate public housing for Canadians should be an urgent government priority - particularly in view of the dire state of the economy. Certainly, the situation presented a clear opportunity for the federal government to ameliorate the unfortunate consequences for the unemployed. However, instead of taking any positive action in its December Budget, the federal government provided only a very small increase to the Central Mortgage and Housing Corporation's budget. This federal increase amounting to \$40 million was less than the estimated initial expenditures of \$55 million planned by the Government of Manitoba for a major provincial public housing program in 1971.

Although cutbacks were necessary from our original plans, due to the refusal of funds available from C. M. H. C., the Government of Manitoba has gone ahead with a massive public housing plan for 1971. It will amount to estimated expenditures of \$33 million, by far the largest in the history of this province. In percentage terms, this represents an increase of 154% from 1970, when estimated expenditures for public housing amounted to \$13 million. The number of housing units represented by this commitment in 1971, is in excess of 2,200, an increase of 107% from 1970, when 1,065 units were built, and an increase of almost 1,000% from 1969, when 201 units were constructed.

In total for 1971, the Manitoba Government has committed an estimated \$63 million in regard to housing or projects associated with housing.

REGIONAL DEVELOPMENT:

There are other commitments that the Government of Manitoba believes are of the utmost importance such as supporting the aspirations of the regions within the province. In regard to the North, the Northern Task Force, a special committee of the Legislature has made progress towards meeting its objective of developing a process to find workable solutions to northern problems within a planned-approach and strategy.

(MR. CHERNIACK cont'd.)

A joint announcement in April by the Premier and the Minister of Mines, Resources and Environmental Management together with the President and Vice-President of Sherritt Gordon Mines Limited confirmed that a new townsite for about 3,500 people is to be developed near Sherritt Gordon's Ruttan Lake mining properties under arrangements without precedent in Canada.

Previously, such townsites have operated under agreements by which the mining companies were to provide certain community assets in return for special local tax concessions. Under the arrangement for the new townsite, the assessable surface property of Sherritt Gordon will be placed on the local tax roll for all taxation purposes. The new townsite will be located near Leaf Rapids on the Churchill River.

Under our five-year agreement with the Federal Department of Regional Economic Expansion, the government began last year to locate infrastructure in and around The Pas which will help it to develop as an urban-transitional centre. We anticipate more negotiations with DREE regarding the provision of basic infrastructure in other key regional centres throughout Manitoba.

In the Interlake area, the plan based on the Fund for Rural Economic Development - FRED - continues to show progress. The original Agricultural Redevelopment Act Agreement - ARDA - expired in 1970 but projects initiated under that Agreement are being carried forward to completion in the present fiscal year. A new five-year ARDA Agreement is under negotiation, as is a special agreement for projects in remote areas.

The Government of Manitoba has stressed the importance of achieving balanced regional development in the province and the need to evolve selective actions within a comprehensive plan.

We want to promote the development of more secondary and processing industries in Manitoba related to the province's supply of natural resources so that our citizens may benefit from the exploration of our resource wealth.

AGRICULTURE AND FISHERIES:

In the field of agriculture and fisheries the Government of Manitoba has challenged the recent federal approach to those of our people who choose to live in agricultural areas, and the federal emphasis on the need to move farmers out of farming. The Manitoba Minister of Agriculture has expressed repeatedly our dissatisfaction with current federal agricultural policies.

Economic conditions on Manitoba farms became so depressed last year that our Minister approached the federal government with an offer to jointly make immediate cash payments to farmers. The federal government refused to participate in this joint action, and the farm problem became even more acute. The Government of Manitoba felt morally obligated to undertake a program of its own to help ameliorate the existing situation, and to remind the federal government of their obligation to the farmer.

So we have provided cash payments to Manitoba farmers amounting to one dollar per acre up to 100 acres per farm for which legislation was passed authorizing provincial expenditures up to \$4 million this year. In no way should this program be considered of a continuing nature, and although it does not adequately meet the long-range needs of the farm community, it does provide help in easing the current low cash income position of Manitoba's farmers.

The Government of Manitoba has been particularly concerned about the plight of unemployed fishermen in the province whose livelihood was abruptly halted by the discovery of mercury pollution in many Manitoba lakes. Last December, the Premier announced a series of winter projects to provide jobs worth \$380 thousand, for the fishermen and those involved in shore operations in the Cedar Lake-Lake Winnipeg area, who were unable to engage in their usual occupations because of the fisheries pollution problem.

Funds for this program were provided on an equal basis by the provincial and federal authorities with a total value equal to the approximate net dollar value of the last normal fishing season on the affected lakes. This program was considered a very high priority by the Government of Manitoba. We will continue to press for additional programs and for more adequate long-term compensation for the fishermen.

(MR. CHERNIACK cont'd.)

LOCAL GOVERNMENT - EQUALIZATION/PARTICIPATION:

The Manitoba Government is intensely aware of urban need in a province characterized by its single major metropolitan centre and has committed itself to a meaningful and effective provincial-municipal partnership. This partnership is implicit in our proposals for the urban reorganization of the Greater Winnipeg area. It also underscores our conviction that the federal government must participate fully if the modern urban challenge is to be met adequately.

The equity sought in these partnerships is dependent initially on fiscal equity. Accordingly, the Government of Manitoba has proposed the unification of the tax bases presently available to local governments in the Greater Winnipeg area. Through the unified tax base, disparities in property tax burdens that result from unequal distribution of tax resources and responsibilities should be eliminated. Under the new regional government property tax rates in the Greater Winnipeg area will be fully equalized for general municipal purposes and substantially equalized for educational purposes.

The Government of Manitoba firmly believes that the proposed establishment of community committees is fundamental to local government reorganization in the Greater Winnipeg area. These committees will provide citizens a direct contact with elected representatives on a better balance to population, and will ensure to residents the opportunity to participate in reaching decisions about plans for their community. We recognize that the community committees concept will only be effective if the people and their elected representatives work at the task. Surely, this is the basic criterion for achieving success in any responsible government.

I'd like now to deal with Federal-Provincial Relations.

COST-SHARING PROGRAMS:

As I reported to this Assembly on the occasion of my last Budget Address, the major joint programs have become the object of intensive analysis and negotiation in recent years. There has been general agreement among all governments that measures must be implemented to ensure adequate control over the expenditures of public monies involved in many of these programs. However, on the question of the ways and means of effecting these controls, and on the basic rationale for the controls themselves, the positions of the Government of Manitoba and the Government of Canada have diverged significantly.

In mid-1970, as I informed the House during our last Session, attempts were made by the federal government to obtain agreement among the provinces for the imposition of arbitrary percentage ceilings on shared expenditures in the coming year. Honourable Members may recall that, on the occasion of the Ministers of Finance meeting here in Winnipeg last June, I reported that Manitoba had rejected these federal "guidelines" proposals on the grounds that the application of simplistic and rigid arithmetic rules in areas of such vital importance to the citizens of this province constituted an outright denial of the responsibilities of both governments to reduce disparities in fundamental social services.

At the same meeting, Manitoba repeated our Premier's earlier proposal for priority option grants and the government's desire to establish practicable controls - through program rationalization and similar means - in close cooperation with the federal authorities and other provincial governments. This government argued at that time, and continues to hold the position - a position which in fact has been borne out in every major federal-provincial joint program cost study - that many of the root causes of rapid cost increases can be traced to manageable factors within the service fields themselves, and that solutions to these problems can be achieved through careful study and joint action.

Regrettably, the Government of Canada has continued to direct its attention to arbitrary rules for limiting its financial and program commitments in the vital health, social development and post-secondary education fields. New sharing proposals put forward by the federal government in respect of the Hospital Insurance program, Medicare and the Post-Secondary Educational program, lead me to believe that little consideration has been given to the different service requirements of the citizens of this country. Within the next few months we expect to be presented with similar proposals for revisions to the Canada Assistance Plan financing arrangements.

The extent and levels of health services, of social development services, and post-secondary education services for at least a decade ahead will be determined in the very near

(MR. CHERNIACK cont'd.) future. It is to be hoped that in the negotiations process, the federal government will recognize the vital importance of the decisions which are to be reached. It is further to be hoped that these decisions will reflect for the first time a truly equitable distribution of the resources of this country and will offset the tendencies to balkanization that delayed reforms will encourage.

TAXATION:

In the field of taxation, the Government of Manitoba is gravely concerned about the federal government's present position on tax reform in Canada. Tax reform is of major importance to every Canadian, and is basic to federal-provincial relations given the fact that the two levels of government share the same tax base.

In light of statements made in the last few months by the federal Minister of Finance, it seems increasingly probable that the federal government will introduce tax legislation which will mean a continuation of an inequitable, regressive, and inefficient tax system in Canada, a system in which special privileges will be perpetuated.

In late March, when it became apparent that the federal Minister of Finance could not arrange a meeting with this provincial counterparts before the draft tax reform bill was introduced in Parliament, I felt compelled to make public a letter to the federal Minister of Finance. That letter reiterated this government's view that the final tax reform package may continue many of the regressive and discriminatory features of the existing legislation. We have strongly opposed these features in the present legislation and obviously could not support them under a supposedly reformed system.

This letter was particularly prompted by recent federal declarations from which I infer that the concept of equity among taxpayers, as well as the fundamental need to relieve the tax burden on all low income groups, have been abandoned by the federal government in the interests of what has been called "economic growth". The practical side of this principle of "economic growth", simply means providing special tax concessions to the corporate elite, and to wealthy individuals. A copy of my letter is appended to this Address.

The Government of Manitoba observes that in determining equity and economic growth, as these variables are affected by the system, there is no necessary sacrifice of one thing for the other. The variables are independent and are linked only when policy issues have been illogically framed. Accordingly, we forwarded to the federal Minister a list of our major tax recommendations in order to achieve both equity and a sensible pattern of growth. These are:

- (1) The new income tax legislation should be based on tax credits instead of tax exemptions. Since exemptions provide greater benefits to those in higher incomes, a system of tax credits, with attention to marital status, to dependents, to day-care services, would be more equitable.
- (2) A comprehensive income concept should be adopted with all forms of income to be included and to be subjected to a graduated scale of income tax based on the ability to pay.
- (3) Capital gains should be taxed at full rates in the same way as salaries and wages and other forms of income, with exemptions and particular arrangements to prevent undue hardship for the family farm and the homeowner.
- (4) Strict limits should be placed on corporation capital cost allowances, advertising, entertainment and convention expenses.
- (5) There should be adequate assurances of sharing revenue increases with provincial governments, with estate and corporation taxation levied and administered across the country by the federal government.
- (6) The same treatment for employment expenses should be allowed for wage and salary earners as is now allowed for the self-employed.
- (7) Natural resource industries should be taxed on the same basis as other industries, and
- (8) There should be a continuation of progressive top rates in the income tax schedule which would enable the lowering of rates at the bottom of the scale.

This government reminds the federal government of the wise words of the Royal Commission on Taxation (the Carter Commission) which stated: ". . . a social and political system cannot be strong and enduring when a people becomes convinced that its tax structure does not distribute the tax burden fairly among all citizens".

(MR. CHERNIACK cont'd.)

The federal tax reform legislation is expected shortly and, I can assure every Manitoban that despite the crucial time constraints imposed by the federal government, the legislation will be minutely examined by this government. With the results of that analysis at hand, we will press the federal government for those changes in the legislation essential to promote fairness and equity in income taxation for all Canadians. We hope to be able to present to this Assembly - before the end of this year - amendments to the Manitoba Income Tax Act which will reflect these changes.

FISCAL ARRANGEMENTS:

Related to the taxation decisions to be made by the Government of Canada will be the revision of federal-provincial fiscal arrangements that will have effect for the five-year period beginning April 1, 1972. As Honourable Members are aware, the present Fiscal Arrangements legislation, which expires at the end of the current year, provides authority for the tax collection agreements, estate tax sharing, the equalization formula, and revenue stabilization guarantees. I have already outlined the present situation as it relates to tax reform as well as the negotiations now under way on the future financing of higher education, but the other facets of the fiscal arrangements have also been under close scrutiny.

Several proposals have been put forward with respect to the equalization formula, including important technical modifications intended to reflect changing patterns of provincial taxation. Suggestions for incorporating municipal revenues and a measure of provincial-municipal "tax effort" in the equalization formula are also under consideration as is a broader "total income" basis for distributing equalization payments.

A highly significant feature of the new fiscal arrangements will be the revenue guarantee system which is to accompany the amended income tax legislation and tax collection agreements. Any revenue short-falls which the Government of Manitoba may experience as a result of anticipated changes in federal income tax rates, must be fully offset by guaranteed payments if the province is to be able to fulfill its expenditure commitments without altering its own income tax rate structure. As yet, we have not been provided with sufficient information by the Government of Canada to assess the adequacy of the proposed guarantee arrangements in respect of both amount and duration. The failure of the federal government to communicate full details of its intentions to us, and the resulting uncertainty as to our income tax revenue position after the end of the current fiscal year has hindered our planning process considerably.

Because there is concern about the adequacy of the revenue stabilization provisions in the present Fiscal Arrangements Act in times of crisis, certain suggestions have been made for incorporating short-term stabilization provisions in the 1972-1977 Fiscal Arrangements legislation. It is to be hoped that the federal government will respond to these suggestions positively.

Clearly, however, all these technical and administrative questions related to the Fiscal Arrangements are but manifestations of a fundamental problem confronting the senior levels of government in Canada at this time - the urgent need for a more equitable redistribution of the tax resources of this nation. The pattern of economic and social relationships that has developed in Canada - and in all other industrialized communities - has greatly extended the responsibilities of the public sector, and within the public sector has extended the relative importance of provincial and local responsibilities. The provinces have ever greater obligations to discharge. The fulfilment of these obligations can only be ensured through drastic reform of the financial relationships among governments. In simplest terms, the provinces - including Manitoba - require proportionately more tax money than in the past because they have proportionately more to do - both within their own jurisdictions and in the areas of responsibility they have chosen to entrust to local governments.

What is at issue is this structural fact which should not be a matter for petty bargaining between competing political jurisdictions. Unless some rational method is found for transferring national revenues from Ottawa to the provinces, there will be increasing frustration and waste in wide areas of social policy. Canada as a whole will be worse off; many Canadians will be poorer, and the fabric of the nation will be further strained.

REVENUES AND EXPENDITURES 1970-71:

Let me turn now more directly to our province's financial affairs.

In the year just closed as of March 31, 1971, our total expenditures on current account approximated \$458.5 million. Our normal revenues have totalled \$459.1 million which would have left us with an excess of revenue over current account expenditures of approximately \$600,000. However, by reason in part at least, of Manitoba's strong representations to the federal government all provinces have received a one month's speed-up in the payment by Ottawa to us of those taxes collected by the federal Department of National Revenue acting as tax collection agent for the province. This brought us in an unusual and clearly non-recurring extra month's payment of \$12,600,000. In addition, we received an unexpected \$6.7 million by way of an equalization payment adjustment for the year 1968-69. Both these amounts were received shortly before the year end, and as you will notice from our new revenue estimates for 1971-72, these two amounts have been carried forward for the year just beginning.

This is not a new precedent. A review of former years' budgets reveals that past government's have opted from time to time to bring forward from one year to the next, excess of revenues over expenditures from the previous years.

FINANCING - CURRENT AND CAPITAL ACCOUNT 1971-72:

You will recall in my first Budget Address on September 18, 1969, I announced that effective November, 1969, the basis of financing medicare would be altered to reflect the ability-to-pay principle. Accordingly, monthly medicare insurance premiums were reduced from \$9.80 for a family to \$1.10, and from \$4.90 for a single person to \$.55.

The major part of the financing of the medicare program was shifted to the progressive income tax and the provincial income tax rate was increased effective January 1, 1970, to provide the necessary revenues. It has been shown that this shift resulted in a real financial advantage for any single taxpayer with a yearly income of less than \$6,363, and for an average married taxpayer with an annual income of less than \$11,348.00.

The Manitoba Government is keenly aware of the inequity of the real property tax. In our current estimates we have removed nearly \$12 million of educational costs from Manitoba property taxpayers in 1971. These programs will rise to approximately \$20 million in the following year. This substantial property tax decrease, I am pleased to announce, will be made without any effective tax increase in 1971.

Provincial support for the Education Foundation Program will be increased in 1971 in unitary school divisions and remote school districts. Legislation has been enacted this Session to provide the following:

- (1) An increase in the provincial share of the Foundation Program from a 70% - 30% to 75% - 25% formula.
- (2) An increase in the exemption on farm and residential property which will have the effect of reducing the rate required on farm and residential property for purposes of the Foundation Program by 1.5 mills down to 4 mills. The 33.9 mills on "other" assessment will be unchanged.

It is the intention of the government to finance this additional responsibility in respect of education from general revenues. The monies necessary to finance the decrease in the property tax burden, otherwise payable in the current year, will be provided through adjustments monies received in Manitoba's equalization entitlement from the federal government, and in part, from monies provided from the one month "speed-up" in the remittance of tax collections and from careful fiscal management by the Government of Manitoba. If provincial tax increases are required in regard to this program in the future, they will be considered in the context of all governmental programs financed through general revenues and in relation to fiscal policy as a whole. Naturally, the assessment of future provincial taxation policies will have to be directly related to the yet unknown position the federal government will take in regard to tax reform legislation. This is the critical variable missing from all provincial calculations.

You will realize that the Budget I am presenting tonight, particularly in view of the economic circumstances, is again an expansionary one. Our estimates of expenditures on current account come to \$516,850,800. The revenue estimates, on the other hand, total \$517,132,730, leaving a small excess of revenues over expenditures amounting to \$281,930. Capital requirements for new investments will approximate \$250 million. This, plus amounts

(MR. CHERNIACK cont'd.) that we estimate we may need for the paying off of maturing debt issues and savings bond redemptions, will involve us in borrowing something like \$300 million over and above our ordinary revenues. The breakdown is as follows:

- (a) For our utilities and other agencies some of whose monies the province provides directly and the balance of whose requirements is found by the issue of debt guaranteed by the province:
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|---|-----------------|
| Manitoba Hydro | \$113.5 million |
| Manitoba Telephones | 20.5 million |
| Agricultural Credit Corporation | 15.0 million |
| Manitoba Development Corporation | 25.0 million |
| Manitoba Housing and Renewal Corporation | 63.0 million |
| Manitoba School Capital Financing Authority | 20.0 million |
- (b) For other general requirements of the government, including monies for our direct purposes such as buildings, highways, parks, schools and universities, we are asking for authority to spend some \$38.5 million. This includes more than \$3 million to start our Churchill townsite redevelopment and the new townsite development for Ruttan Lake (at Leaf Rapids).
- (c) In addition, we are expecting to have to provide for upwards of \$8 million of redemptions for general purpose debt of the province.

These demands for capital will be met, as usual, in part from funds available from the Canada Pension Plan, and from the Central Mortgage and Housing Corporation which in total will provide approximately \$100 million. With capital borrowing already completed for Manitoba Hydro in the amount of \$43 million since the first of April, 1971, and with such other funds as may be available from time to time during the year, we expect to require something in the order of \$150 million from the public investment market. As I have already stated, this is a planned expansionary Budget. The total we and our agencies will be spending for the improvement of the living conditions in Manitoba and the economic development of the province will be almost \$770 million. The similar total for last year was approximately \$650 million. One notices that many of our sister provinces are also undertaking what people could refer to as cash deficit financing. Actually, over the past many years, the Province of Manitoba has been financing its cash deficits all along, including of course, the requirements of the utilities and other agencies, by its annual borrowings.

Our government intends to expand the economic and social base of this province by a vigorous program of expenditure designed for the betterment of the condition of all our citizens. The programs we are proposing will both increase the well-being of people within the province and will result in growing current revenues as years go by.

ACCOUNT REVIEW:

I would like to make reference to another subject which I regard as most important and that is the form of our annual presentation of the forecasts of the government's financial transactions. For many years the provincial budget has been brought down in the form which has become very familiar to us. In the meantime in addition to the familiar form, the federal government and a few of the other provinces, are presenting their financial transaction forecasting, on what is termed, "A National Accounts" basis. The "National Accounts" system of presentation which has now been used by Canada for the past 6 years, is a system designed to provide more information concerning the impact of activity in the government sector on the total economy of the province. It is hoped that by next year our studies which we propose to carry on extensively this summer will enable us to provide this additional insight into the government's expenditure and revenue plans giving us further tools to help evaluate the results of our programs.

CONCLUSION:

Mr. Speaker, I have presented to you tonight a deliberately planned and a carefully considered expansionary Budget designed to provide increased employment in the province. Because of the initiative shown by the Government of Manitoba, our provincial economy has shown encouraging signs of vigour, even through the crisis-ridden period just past. Through this Budget, we have been able to expand our program commitments and to assume new

(MR. CHERNIACK cont'd.) responsibilities while at the same time providing a tax decrease for Manitoba's property taxpayers.

This Budget is characterized by the absence of any tax increases. We believe that the rationalization of our accounting presentation in this Budget Review and the planned deficit to be budgetted on capital account are in complete accord with the best interests of our citizens and our province.

Our future taxation policy is, of course, highly dependent on the forthcoming federal statement regarding income tax reform. Together with all provincial governments and concerned Canadians, we await this announcement, as well as a declaration by the federal government of its intention to achieve full employment, and to correct deep-rooted regional economic disparities in Canada.

We believe the federal government's first priority, is of necessity, to establish a clear and positive commitment to eliminate the rampant unemployment that exists in this country. This action is of the utmost urgency for it is this issue that hurts our people the most in terms of human anguish and suffering.

The philosophy of government from which this present budget evolved maintains that meeting the social needs of the individual, family, community and society should be the objectives of government policy, meeting the needs and meeting them equitably. With this we also affirm that planned economic growth can and will be accompanied by the promotion of equity. Our encouragement of social development and of economic development are complementary, rather than competitive goals.

We believe that this intention, coupled with comprehensive planning to promote balanced development, is the most effective contribution we as a government can make to Manitoba and to Manitobans. Our future prosperity in both the human and material sense depends on the ability of each of us to accept a degree of responsibility for all of us.

Therefore, Mr. Speaker, I beg to move, seconded by the Honourable the Minister of Labour, Mr. Speaker do now leave the Chair and the House resolve itself into a committee to consider of 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 Lakeside, that the 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: Mr. Speaker, I have a message from His Honour the Lieutenant-Governor.

MR. SPEAKER: The Lieutenant-Governor transmits to the Legislative Assembly of Manitoba estimates of 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 move, seconded by the Honourable the Attorney-General that the said message, together with the estimates accompanying the same, 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 Mines and Natural Resources.

MR. GREEN: Mr. Speaker, my impression is that all of the members of the House are now in agreement that the House adjourn for this evening, therefore I would move, seconded by the Honourable the Minister -- (Interjection) -- did the member . . . ? All right. I'll wait till it's completed.

MR. SPEAKER: The Honourable House Leader.

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

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

MR. SPEAKER: The House is accordingly adjourned until 10:00 a. m. tomorrow morning.

APPENDICES

to the

BUDGET ADDRESS

by

Hon. Saul Cherniack, Q.C.

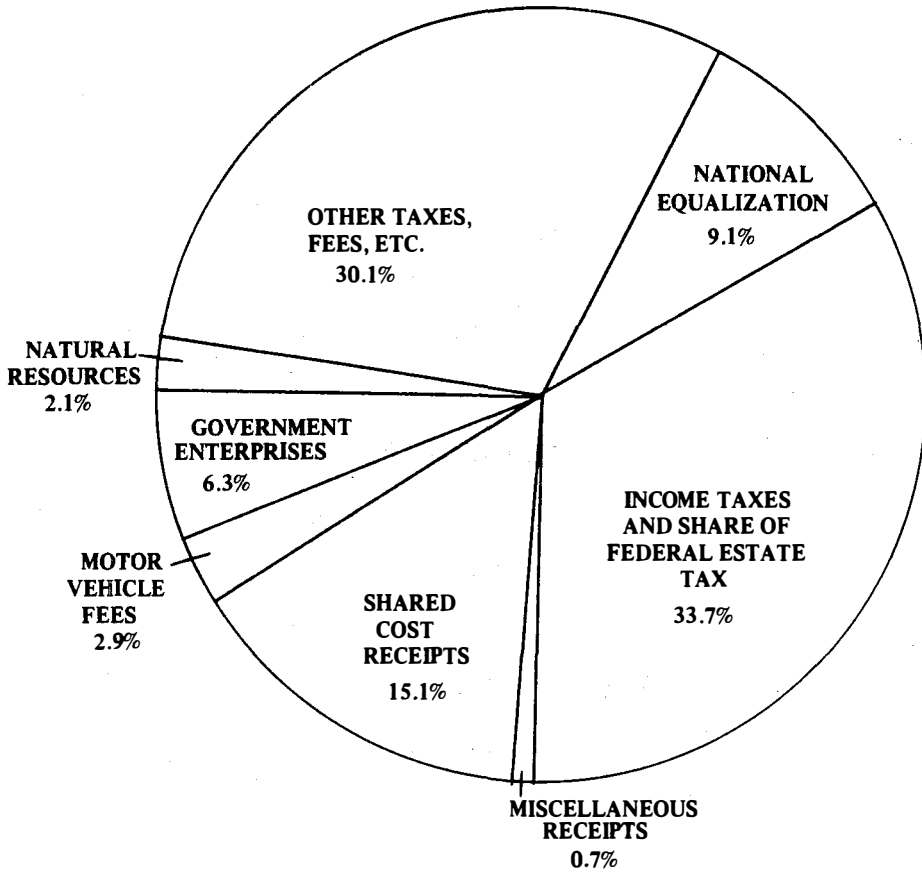
Minister of Finance

May, 1971

APPENDIX "A"

FINANCIAL STATISTICS

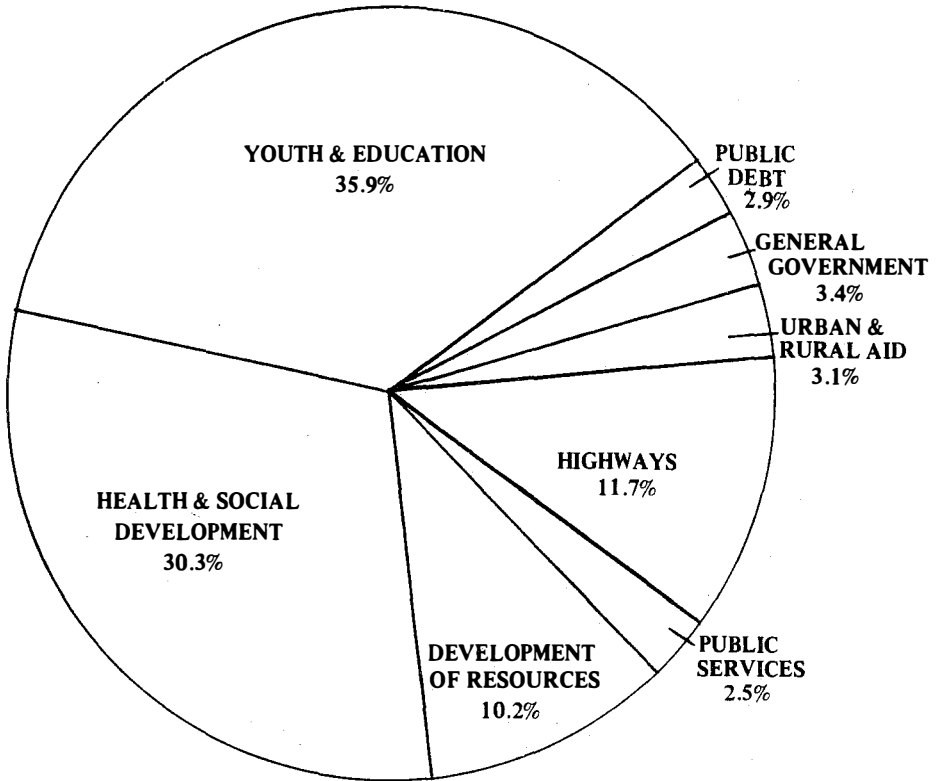
ESTIMATED REVENUES – FISCAL 1970 (Revenue Division)



(MILLIONS OF DOLLARS)

Income Taxes and Share of Federal Estate Tax	\$151.1
National Equalization	41.0
Other Taxes, Fees, etc.	135.3
Natural Resources	9.4
Government Enterprises (Liquor Commission).....	28.1
Motor Vehicle Fees	13.2
Shared Cost Receipts	67.8
Miscellaneous Receipts for Sundry Services	3.0
TOTAL	\$448.9

ESTIMATED EXPENDITURES – FISCAL 1970 (Revenue Division)

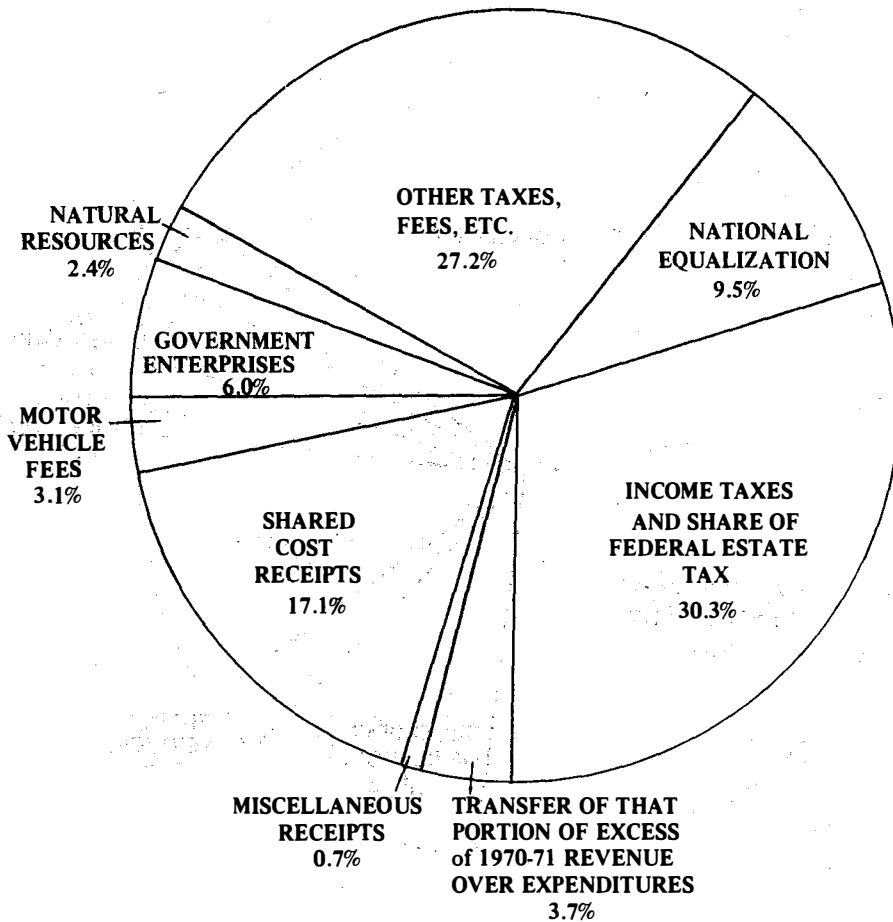


(MILLIONS OF DOLLARS)

Youth and Education	\$160.7
Health and Social Development	135.9
Development of Resources	45.7
Public Services	11.2
Highways	52.4
Urban and Rural Aid	13.9
General Government	15.3
Public Debt	13.0

TOTAL: \$448.1

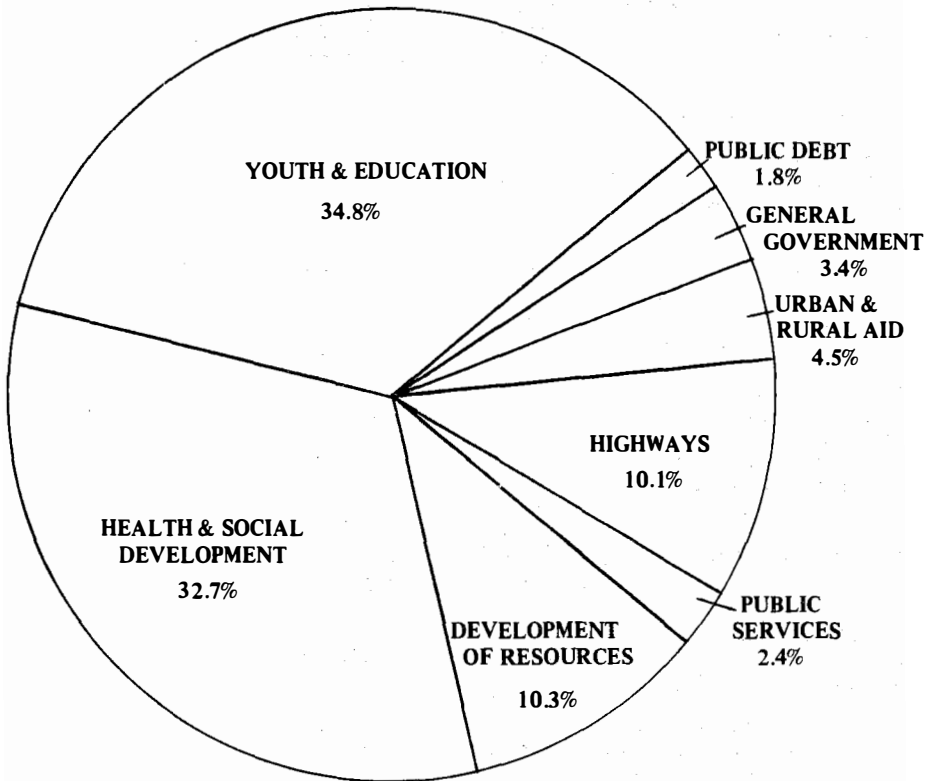
ESTIMATED REVENUES – FISCAL 1971 (Revenue Division)



(MILLIONS OF DOLLARS)

Income Taxes and Share of Federal Estate Tax	\$156.4
National Equalization	49.3
Other Taxes, Fees, etc.	140.9
Natural Resources	12.3
Government Enterprises (Liquor Commission)	31.1
Motor Vehicle Fees	15.8
Shared Cost Receipts	88.5
Miscellaneous Receipts for Sundry Services	3.5
Transfer of That Portion of Excess of 1970-71	
Revenue Over Expenditures	19.3
TOTAL	\$517.1

ESTIMATED EXPENDITURES – FISCAL 1971 (Revenue Division)



(MILLIONS OF DOLLARS)

Youth and Education	\$179.9
Health and Social Development	168.7
Development of Resources	53.4
Public Services	12.6
Highways	52.0
Urban and Rural Aid	23.4
General Government	17.4
Public Debt	9.4
TOTAL:	\$516.8

REVENUE ESTIMATES - FISCAL 1970 and 1971

	<u>Fiscal 1970</u>	<u>Fiscal 1971</u>
	(Millions of Dollars)	
1. Income Taxes and Share of Federal Estate Tax	151.1 (33.7%)	156.4 (30.3%)
(a) Individual Income Tax \$109,778,000	\$121,543,000	
(b) Corporation Income Tax 36,000,000	30,579,000	
(c) Estate Tax <u>5,298,000</u>	<u>4,300,000</u>	
	\$151,076,000	\$156,422,000
2. National Equalization	41.0 (9.1%)	49.3 (9.5%)
3. Other Taxes, Fees, etc.	135.3 (30.1%)	140.9 (27.2%)
(a) Legislation \$ 182,700	\$ 195,000	
(b) Attorney-General (less Liquor Commission) 3,712,000	4,076,000	
(c) Consumer, Corporate and Internal Services 616,375	678,600	
(d) Co-operative Development 65,000	65,000	
(e) Finance (less a, b(11), b(12), b(13) and d) 129,120,384(1)	134,214,400(1)	
(f) Health and Social Development 320,900	295,000	
(g) Labour 387,900	340,000	
(h) Municipal Affairs 14,000	21,400	
(i) Public Works and Highways (less c, d and e) 91,200	71,100	
(j) Youth and Education <u>836,600</u>	<u>907,500</u>	
	\$135,347,059	\$140,864,000
4. Natural Resources	9.4 (2.1%)	12.3 (2.4%)
(a) Agriculture \$ 127,800	\$ 103,300	
(b) Finance (b(11), b(12) and b(13)) 3,259,000	5,265,000	
(c) Mines, Resources and Environmental Management 5,278,000	5,878,230	
(d) Tourism, Recreation and Cultural Affairs <u>698,000</u>	<u>1,071,300</u>	
	\$ 9,362,800	\$ 12,317,830
5. Government Enterprises (Liquor Commission)	28.1 (6.3%)	31.1 (6.0%)
6. Motor Vehicle Fees	13.2 (2.9%)	15.8 (3.1%)
7. Shared-Cost Receipts	67.8 (15.1%)	88.5 (17.1%)
8. Miscellaneous Receipts for Sundry Services	3.0 (0.7%)	3.5 (0.7%)
9. Transfer of That Portion of Excess of 1970-71 Revenue Over Expenditures	---	19.3 (3.7%)
	<u>448.9 (100.0%)</u>	<u>517.1 (100.0%)</u>

NOTE (1) - Includes Revenue Tax

SOURCE: DEPARTMENT OF FINANCE

EXPENDITURE ESTIMATES - FISCAL 1970 and 1971

	<u>Fiscal 1970</u>	<u>Fiscal 1971</u>
	(Millions of Dollars)	
1. Youth and Education	160.7 (35.9%)	179.9 (34.8%)
2. Health and Social Development	135.9 (30.3%)	168.7 (32.7%)
3. Development of Resources (including pollution control)	45.7 (10.2%)	53.4 (10.3%)
(a) Agriculture	\$ 9,973,500	\$12,607,000
(b) Industry and Commerce	5,310,700	5,360,400
(c) Mines, Resources and Environmental Management	22,492,300	26,014,800
(d) Tourism, Recreation and Cultural Affairs	7,787,400	7,438,000
(e) Flood Control and Emergency Expenditures	196,000	200,000
(f) The Pas Special Area Agreement	---	<u>1,797,000</u>
	\$45,759,900	\$53,417,200
4. Public Services (including protection of people)	11.2 (2.5%)	12.6 (2.4%)
(a) Consumer, Corporate and Internal Services	\$ 1,013,100	\$ 1,173,700
(b) Attorney-General	8,528,100	9,567,400
(c) Co-operative Development	263,600	361,800
(d) Labour	<u>1,377,800</u>	<u>1,544,300</u>
	\$11,182,600	\$12,647,200
5. Highways	52.4 (11.7%)	52.0 (10.1%)
6. Urban and Rural Aid	13.9 (3.1%)	23.4 (4.5%)
(a) Municipal Affairs	\$13,873,000	\$20,656,800
(b) Urban Affairs	---	<u>2,783,600</u>
	\$13,873,000	\$23,440,400
7. General Government	15.3 (3.4%)	17.4 (3.4%)
(a) Legislation	\$ 1,415,400	\$ 1,497,500
(b) Executive Council	2,009,300	2,488,200
(c) Finance (excluding Public Debt)	3,422,900	3,293,400
(d) Public Works	6,491,400	7,816,700
(e) Civil Service	<u>2,007,200</u>	<u>2,282,600</u>
	\$15,346,200	\$17,378,400
8. Public Debt	13.0 (2.9%)	9.4 (1.8%)
	<u>448.1 (100.0%)</u>	<u>516.8 (100.0%)</u>

SOURCE: DEPARTMENT OF FINANCE

HEALTH AND SOCIAL DEVELOPMENT EXPENDITURES FISCAL 1970 AND 1971
(Thousands of Dollars)

	Fiscal 1970	Fiscal 1971	% Increase
Manitoba Health Services Commission			
(a) Direct Government Support	\$ 52,180.2	\$ 63,352.3	
(b) Premiums	28,800.0	28,800.0	
(c) Government of Canada Shared-Cost Recoveries	<u>70,925.0</u>	<u>79,900.0</u>	
	\$151,905.2	\$172,052.3	13.5
Mental Health and Correctional Services*	\$ 29,944.0(1)	\$ 33,664.0(2)	12.4
Public Health Services*	14,593.7(3)	17,351.8(4)	18.9
Social Services *	39,844.6	56,592.5(5)	42.0
Other Purposes (including Elderly and Infirm Persons' Housing) *	8,018.8(6)	8,324.5	3.3
Total Expenditures for Health and Social Development (including the Manitoba Health Services Commissions' Federal Recoveries and Premiums)	<u>\$244,306.3</u>	<u>\$287,985.1</u>	17.9

*Includes additional capital funds authorized for capital construction in 1970-71 by Bill 47 (1970) and additional capital funds requested for capital construction in 1971-72 by Bill 20.

	Fiscal 1970	Fiscal 1971
Mental Health Services	\$ 5,062.3	\$ 5,112.1
Correction Services	<u>3,093.2</u>	<u>5,350.9</u>
	\$ 8,155.5(1)	\$ 10,503.0(2)
Public Health Services	\$ 75.0(3)	\$ 99.0(4)
Social Services	\$ ---	\$ 27.0(5)
Other Purposes (Elderly and Infirm Persons' Housing)	\$ 500.0(6)	\$ ---

SOURCE: DEPARTMENT OF FINANCE

GOVERNMENT OF MANITOBA EXPENDITURE FOR EDUCATION

	Fiscal 1970	Fiscal 1971	%
(Thousands of Dollars)			
Primary and Secondary Schools			
(a) Operating	\$ 91,448.2	\$115,402.1	
(b) Capital	<u>3,954.9</u>	<u>3,035.2(1)</u>	
	\$ 95,403.1	\$118,437.3	24.1
Community Colleges, Vocational and Special Schools			
(a) Operating	\$ 13,034.0	\$ 14,864.4	
(b) Capital	<u>3,440.4(2)</u>	<u>1,090.0(1)</u>	
	\$ 16,474.4	\$ 15,954.4	(3.2)
Universities			
(a) Operating	\$ 39,264.5	\$ 40,489.5	
(b) Capital	<u>12,550.0</u>	<u>16,643.1(3)</u>	
	\$ 51,814.5	\$ 57,132.6	10.3
Total Investment in Education	<u>\$163,692.0</u>	<u>\$191,524.3</u>	17.0

FOOTNOTES: (1) To be financed from capital funds requested in The Loan Act, No. 2, 1971.

(2) Includes \$3.0 million borrowed under capital authority for the construction of Regional Secondary Schools.

(3) Of this amount, \$7,335.0 being financed from capital funds requested in The Loan Act, No. 2, 1971.

SOURCE: DEPARTMENT OF FINANCE

**SUMMARIZED STATEMENT OF DIRECT PUBLIC DEBT
AS OF MARCH 31, 1970**

Funded Debt:		
Bonds and Debentures		
Payable in Canadian Dollars	\$217,464,905	
Payable in United States Dollars	175,000,000	
Payable in European Units of Account (Canadian Dollar Value)	29,066,250	\$421,531,155
Treasury Bills		
Payable in Canadian Dollars		<u>50,793,400</u>
		472,324,555
Unfunded Debt:		
Outstanding Cheques - Net	24,056,576	
Accrued Interest and Other Charges	9,830,209	
Accounts Payable	3,214,795	
Special Funds	<u>30,774,582</u>	<u>67,876,162</u>
Total Direct Public Debt		540,200,717
The Province considers the following assets to be proper deductions in arriving at Net Direct Public Debt:		
Sinking Funds - Cash and Investments	65,991,345	
Special Reserve for Retirement of Debt	21,506,102	
Temporary and Other Investments	40,472,763	
Advances to Manitoba Hydro \$199,040,431		
Less: Premiums on U.S. Funds.....	<u>10,040,431</u>	
	189,000,000	
Less: Sinking Funds included above	<u>9,259,084</u>	179,740,916
Advances to Manitoba Telephones	40,200,000	
Less: Sinking Funds included above	<u>7,328,995</u>	32,871,005
Advances to Manitoba Agricultural Credit Corporation	31,463,942	
Advances to Manitoba Development Fund	85,285,000	
Advances to Municipalities	13,702,768	
Amounts due from Canada	4,404,008	
Other - Net	<u>10,170,844</u>	<u>485,608,693</u>
Net Direct Public Debt		<u>\$ 54,592,024</u>

Source: Department of Finance.

DIRECT PUBLIC DEBT OUTSTANDING
AS AT 31st DECEMBER, 1970

(Grouped as to purposes for which incurred)

Provincial Capital Assets		
Roads and Bridges	\$147,602,830	
Buildings and Public Works	<u>16,355,033</u>	\$163,957,863
Self-sustaining Agencies:		
Public Utilities (Electricity and Telephones)	243,714,000	
Other (1)	<u>88,265,208</u>	331,979,208
Other:		
Grants and Advances (2)	11,479,960	
Unemployment Relief (Pre-War)	<u>4,591,615</u>	16,071,575
Amortization and Discount	6,476,271	
Funds provided for Debt Retiral	<u>5,681,000</u>	524,165,917
Less: Self-sustaining Investment and General		
Debt Retirement Funds	<u>404,642,254</u>	<u>\$119,523,663</u>
(1) Other Self-sustaining Provincial Investment: Agricultural Credit Corporation (\$22,742,000); Business Development Fund (\$53,000,000); Municipal Works Assistance (\$12,523,208); Total (\$88,265,208).		
(2) Grants and Advances: Agricultural Research (\$5,124,695); Hospitals and Homes for Aged (\$2,405,265); Shares of Manitoba Development Fund (\$1,200,000); Nelson River Energy Studies (Recoverable) (\$750,000); General Purposes - Vocational Composite Schools (\$2,000,000); Total (\$11,479,960).		

Source: Department of Finance.

DIRECT FUNDED DEBT COMPARISON

	December 31 1969	March 31 1970	December 31 1970
Debtentures	\$397,536,770	\$410,135,855	\$422,588,458
Savings Bonds	12,023,600	11,395,300	61,510,500
Treasury Bills	<u>88,680,600</u>	<u>50,793,400</u>	<u>40,066,959</u>
Total	\$498,240,970	\$472,324,555	\$524,165,917
Debt issued for Utilities and Other Self-Sustaining Purposes	<u>305,684,770</u>	<u>265,765,546</u>	<u>331,952,150</u>
Debt issued for General Purposes	\$192,556,200	\$206,559,009	\$192,213,767
Less: Funds provided for Retirement of General Purpose Debt	<u>64,226,518</u>	<u>81,895,793</u>	<u>72,690,104</u>
Net General Revenue Debt	<u>\$128,329,682</u>	<u>\$124,663,216</u>	<u>\$119,523,663</u>

Source: Department of Finance.

**STATEMENT OF GUARANTEES OUTSTANDING
BY CLASS OF BORROWER**

	December 31 1969	March 31 1970	December 31 1970
Guaranteed as to Principal and Interest:			
Manitoba Hydro	\$467,209,040	\$462,209,040	\$502,209,040
Manitoba Telephone System	148,500,000	148,500,000	148,500,000
Manitoba Water Supply Board	5,977,000	5,977,000	5,977,000
University of Manitoba	25,860,521	24,760,521	24,688,345
Manitoba Development Fund	24,915,000	24,915,000	24,915,000
Manitoba School Capital Financing	45,049,000	55,566,000	83,000,000
Manitoba Agricultural Credit	8,850,000	8,850,000	8,850,000
Hospitals and Other	7,065,804	7,030,804	6,750,767
	<u>733,426,365</u>	<u>737,808,365</u>	<u>804,890,152</u>
Guaranteed as to Interest Only:			
School Districts	2,690,599	2,690,599	2,452,963
Municipalities	<u>1,791,228</u>	<u>1,791,228</u>	<u>1,602,770</u>
	4,481,827	4,481,827	4,055,733
	<u>\$737,908,192</u>	<u>\$742,290,192</u>	<u>\$808,945,885</u>
Note: Sinking Funds and other Debt Retirement Funds at December 31, 1970, total:			
(a) For General Purpose Debt			\$ 72,690,104
(b) For Self-sustaining Direct and Guaranteed Debt			<u>75,267,066</u>
			<u>\$147,957,170</u>

Source: Department of Finance.

APPENDIX B

REVIEW OF THE MANITOBA ECONOMY IN 1970 AND PROSPECTS FOR THE CURRENT YEAR 1971

The Manitoba economy in 1970 was dominated by the influence of the federal government's anti-inflationary policies. Manitoba and, indeed, all of Canada has suffered from the onslaught of the economic slowdown created by deliberate federal economic policies. Unemployment levels rose to dangerous heights.

The performance of the Manitoba economy in 1970 was better than that achieved in many other areas of Canada. The province is fortunate to have had the diversification of economic activity necessary to withstand, to a somewhat greater extent than elsewhere, federal policies that must indeed measure their success in terms of the unemployed in this country.

The Government of Manitoba has played a critical role throughout this difficult period. Public measures were initiated to counteract the effects of the federal economic actions and thus lessen the severity of the economic crisis this past winter. These measures were not simply random emergency actions designed to meet what was hoped would be a short-term problem. Rather they were aimed at accelerating provincial projects in such a way as to stimulate the necessary areas of the economy and, in so doing, provide needed facilities for Manitobans. These measures in combination with the diversification which has been achieved in the Manitoba economy have brought the provincial economy through a critical period.

Income, Employment and Population

In Manitoba, gross provincial income grew by 7.5% during 1970 to reach an estimated \$3,826 million. This increase was paralleled by the 7.5% growth rate of the Gross National Product. However, while the growth rate of the gross national product slowed down, Manitoba's estimated gross provincial income increased at a faster rate than in 1969.

Wages and salaries level increases in Manitoba lagged behind the national rate for the first half of 1970, but increased marginally faster for the remainder of the year. In total Manitoba and Canada figures increased at a similar rate - the former at 7.6%

and the latter at 7.8%. However, this still left Manitoba average weekly wages and salaries more than 9% below the Canadian average. Both rates decreased significantly from the previous year due mainly to rapidly diminishing employment opportunities.

Wages and salaries showed acceleration in both goods-producing and service-producing industries. In the former, the gain was entirely due to increases in average earnings as employment declined slightly. Within goods-producing industries acceleration was recorded in construction and the primary industries. While a slower growth rate was recorded in manufacturing nationally, the growth rate in Manitoba increased over that for 1969. In the service-producing industries both employment and average earnings contributed to the increase.

The Manitoba increase in real wages (money wages adjusted for changes in the consumer price index) was marginally less than the Canadian average - 4.3% as opposed to 4.4% - although both rates increased considerably over last year, with Manitoba having an increase in real wages of 2.8% in 1969, and Canada an increase of 2.6%. As is thus evident, there has been a reduction in the rate of price inflation, particularly in the fourth quarter of 1970, and the consumer price index for 1970 showed the lowest annual rate of increase since 1966. At first glance, this must be viewed as an indication that the deflationary efforts of the federal government have achieved some success, but in fact there were various other influences that also contributed to the drop. The "grocery price war" greatly reduced the rate of increase of a major component of the consumer price index, while the unpegging of the Canadian dollar eased the rate of increase of import prices.

Despite heavy grain movements in 1970 the cash receipt position of farmers is still declining at the same rate as last year due to repayments of cash advances. This continuing trend of the past four years illustrates the unfortunate plight of the farm community and further emphasizes the need for extensive federal action in this area to effect measures that will guarantee our farmers a minimal and stable income in the future.

During 1970 the Canadian unemployment rate averaged a staggering 5.9% as compared to 4.7% in 1969. Manitoba's average unemployment rate showed a similar trend, rising from 2.7% in 1969 to 4.5% in 1970. (And further, the employment situation becomes even more critical when one considers that native people on reserves are not included in these figures nor is the serious problem of underemployment adequately reflected in Canada.) Fortunately, immediate action on the part of the Province of Manitoba has helped cushion the continual blows struck upon our labour force by the federal government's anti-inflationary measures.

The population of Manitoba increased by 4,000 in 1970 as compared with 2,000 in 1969 due to a decline in net out-migration. At such a time as this, when the effects of economic slowdown and resultant high unemployment have seemingly played less havoc on the Manitoba economy than on that of the nation as a whole, it is a driving task of the Province of Manitoba to produce jobs that will both hold and attract persons to the province and demonstrate that a strong and cohesive base exists for further economic growth and prosperity.

Investment and Construction

Private and public capital spending in Manitoba in 1970 naturally reflected the depressed investment situation that occurred across Canada. Total investment expenditures in Manitoba increased marginally from 1969 to 1970 - a reassuring reversal from the 4.7% decline originally anticipated but well below the rate of growth experienced over the previous four years. The largest increase in investment in Manitoba was recorded in the manufacturing sector, with total construction, machinery and repair expenditures setting an all time record, which was encouraging in view of the depressed state of the Canadian economy in 1970. Reflecting the overall slowdown in the economy however, there was a decline in the housing sector. With the approaching completion of major hydro electric installations at Kettle Rapids, a decline in investment was also registered in the utilities sector.

Once again this year, public sector spending constituted a substantial portion of total capital spending in the province - and was instrumental and especially important in buoying up the economy. The Government of Manitoba realized the very necessary stimulus that was demanded of such funds in 1970, and set about immediately to institute capital works projects that would provide a maximum of employment and enhance the Manitoba economy. Such action has been viewed by the Province of Manitoba and should have been viewed by the federal government as unquestionably the role that the public sector must adopt in such times as these.

New dwelling unit starts in all centres in Manitoba totalled 8,945 in 1970, down over 24% from 1969. However, 1969 was an exceptional year for housing in Manitoba. The 1970 results are still 38% above the 1968 figure, in direct contrast with the situation in the other Prairie Provinces - where dwelling unit starts in 1970 were not only below 1969 starts but also below starts in 1968. Significantly, completions in Manitoba for 1970 were 23% above those for 1969, while for the same period, all Canada completions were over 10% lower than in 1969.

Increasing mortgage rates and a tightened money supply throughout much of 1970 were major factors in the sharp decline in construction activity during this period, and bore particularly heavily on the lower income groups. Fortunately, it was a major desire of the Manitoba Government during 1970, not only to activate job producing public construction work, but in doing so, to provide facilities to meet the needs of all Manitobans. Hence there has been, and will continue to be large amounts of funds committed to public housing programmes.

Production

The sluggishness of the Canadian economy was naturally felt in the production sector, Fortunately, industry in Manitoba has proven to be quite resilient to the general economic factors due to sufficient diversification in the structure of the economy and positive management decisions. Total factory shipments for 1970

clearly illustrate the stability of provincial industries, showing a rate of increase in excess of that for Canada, 1.6% versus 0.4%, although Manitoba's superior performance was largely confined to the early portion of the year. In particular, food and beverages, accounting for 40% of Manitoba's factory shipments, showed a useful gain of 4% in 1970.

Viewing performance by industrial group, Manitoba displayed an above average performance in textiles, clothing, wood, printing and publishing, and transportation equipment. Our high growth rate in printing and publishing has been due in part to technological competitiveness in a very innovative industry. The upsurge in bus production in the last two years has helped produce a very favourable growth rate in transportation equipment.

Nevertheless the still somewhat depressed agricultural situation and the steady slowdown in the housing start boom of 1969 did affect the Manitoba portion of the manufacturing industry, particularly with regard to the metal fabricating, chemical and machinery industries.

The agriculture sector did make some gains during 1970 however, with a heavy movement in grains and a much improved showing of livestock production. The diversification that has been stressed in this industry is beginning to take hold and produce needed stability. Further, the excessive build-up in grain inventories that has taken place over the previous two years was reduced during 1970. Nevertheless continually depressed prices in the agricultural sector continue to stress the need for national attention and response.

Manitoba's gross primary resource output during 1970 was influenced by the closure to fishing of Lake Winnipeg, the Winnipeg River Water Shed, the Saskatchewan River Water Shed and some smaller commercially fished lakes on the Nelson River system as a result of mercury contamination. The effect of this closure on commercial fishing resulted in an estimated drop in value of production from \$8.3 million in 1969 to \$5.5 million in 1970. This obviously has had a very major impact on those people dependent upon the industry for their livelihood, and here again, Manitoba has continually expressed its concern to the federal government for the welfare of these people.

The value of mineral production, a major portion of total primary resource output, increased by 34% in 1970, due principally to increases in nickel and copper production. There was continued activity in this sector of the economy throughout the year with the number of producing mines in the Flin Flon-Snow Lake copper-zinc districts increasing from 5 to 7. In addition, the Anderson Lake and Fox Lake mines were opened during the year. Continued exploration and development occurred in many other areas, including the discovery of mineral ore bodies to be known as the Centennial Mine and the Ruttan Lake Mines as well as continued development and construction at the Manibridge nickel property and exploration of the Bowden Lake and Bucko Lake nickel deposits. The production of tantalite concentrates in 1970 was valued at over \$2 million. There has also been increased activity with regard to non-metallic minerals in the province.

During 1970 a major thrust was made in studies and projects associated with the optimum utilization of natural resources primarily as a means of enabling our native people to improve and advance their social and economic well-being. The three main areas of thrust are in the development of pulp cutting operations, wild rice paddies and commercial fishing with the aim of the optimum involvement of native and local people.

It is essential that the development of the province's primary and secondary resources is continued, not just for the revenues that will result, but with the aim that every person in Manitoba should benefit from such activity in a well-balanced healthy production sector.

Utilities

It is very necessary to have the hydro power and telephone facilities at hand to support and enhance economic development and growth in any area. In line with this, 19,000 more telephones were installed in the province in the fiscal year 1970-71. Further, the northern radio telephone system is being expanded to provide greater coverage area and increased reliability and traffic handling capacity.

Capital expenditures of \$28.1 million were made during this period to meet the high demand for local and long distance service and to continue a program of service improvement and modernization throughout Manitoba.

Extensive construction and installation of transmission and terminal stations was continued this year to provide electric power in Manitoba. Not only has such activity been of benefit to Manitobans through direct usage, but it has resulted in surplus power that finds a good market among neighbouring utilities. The effect of continuing low cost power has been advantageous to both the Manitoba economy and Manitoba industry.

Trade

Retail sales throughout Canada slowed considerably in 1970 from previous years. This decline in growth rate also occurred in Manitoba, but retail sales in our province still continued to out-perform not only the other two Prairie Provinces, but also increased at a faster rate than total Canada sales. Sluggishness of demand was evident throughout 1970 in major categories of consumer spending and obviously had a direct effect on retail sales - no doubt reflecting the wariness of the public in a period of high unemployment and economic slowdown.

The same slowdown in demand did not occur for Canadian goods and services abroad. Increases in merchandise exports were wide-spread, particularly in metals and cereals, and an increase in trade of almost 14% was registered for 1970. Reflecting the slowdown of the Canadian economy, however, imports of goods and services rose by only 2% - resulting in a very favourable balance on transactions in goods and services with non-residents.

A serious problem has been developing recently in regard to interprovincial restraints on trade. The Province of Manitoba has continually stressed the necessity for federal action to remove interprovincial trade barriers, realizing that one of the essential concepts in the development and maintenance of the Canadian nation will be lost if such restraints continue.

Expenditures by tourists visiting Manitoba in 1970 reached \$135 million, an increase of almost 11% over 1969, and the highest increase recorded by any Canadian province. Our Centennial year had much to do with the appeal of Manitoba to tourists, but within the last few years our tourist trade has grown steadily, and continued promotion and expansion of facilities should ensure us of valuable tourism in the future. With the continued emphasis being placed on leisure time and extensive travel, it is very favourable for Manitoba to have had the surroundings and the people necessary to bring such increased tourism to this province - tourism that will provide the needed funds and necessary stimulus to the economy which, if properly implemented, will greatly enhance the life of all Manitoba residents.

Prospects for the Current Year - 1971

Various indicators are at present reflecting an outlook of cautious optimism for the year 1971 relative to the past year. A quickened pace of activity is beginning to show itself in major sectors of the economy. The automobile strike has been over for some time and the production of small domestic automobile to compete directly with imports is expected to stimulate the economy. Housing starts across Canada are up significantly over last year and loan approvals have increased rapidly. Investment intentions for the housing sector in Manitoba are up 19% for 1971 over 1970. Prospects for western agriculture in 1971 are more promising than in the previous year with a heavy movement of grain expected and the effects of recent emphasis on needed diversification coming into play. However, up until now, there has been only a slight improvement in the national unemployment level.

With this hoped for upswing in such major areas of the economy, the outlook for the various supporting industries is expected to brighten. Manitoba's chemical, metal fabricating, and machinery industries, which were particularly affected by last year's unfavourable agricultural situation, should receive increased benefit along with the subsequent increase in factory shipments. In addition increasing tourism has been and will continue to be instrumental in increasing

provincial revenues - with strong emphasis being placed on developing this fast growing industry.

Perhaps most important of all, the quick and immediate action taken by the Manitoba Government in 1970 will, and has already, produced a strong base upon which the Manitoba economy can move ahead. Indeed, during this early portion of 1971 there has been a significant decline in Manitoba's unemployment rate - falling from 6.5% in January to 6.0% in February and to 5.4% in March. Provincial public construction works contracted out or committed to the end of January add up to almost \$110 million - over 2½ times the amount recorded during the previous fiscal year. This year to date \$33,333 million has been committed to the public housing program for 1971-72, while the total figure last year was \$1.5 million. In addition many other programmes have been greatly speeded up and expanded with the two-fold aim of not only providing employment for many and releasing needed investment funds, but also of directly benefiting all Manitobans.

The special development loan programme, announced by the federal government in December of 1970, allocated to Manitoba \$8 million out of a total fund of \$160 million. While the amount was considered small in light of economic conditions and the size of Manitoba's special capital works programme requirements, nevertheless such funds were immediately related to this programme and are being fully and quickly utilized for job producing capital construction projects.

However, there are several all important factors that indicate that any comeback made during 1971 will be both slow and gradual. Despite such healing measures taken by the provincial government, the atmosphere of the economy seems to exude a general feeling of "let's wait and see" - reflecting in no small measure previous harsh and seemingly unwavering actions taken federally to conquer inflation.

Although credit restraints are being slowly eased, it is anticipated that investors will wait for very strong positive signs of recovery in the economy before making commitments.

Further, with many firms operating well below capacity during 1970, much of this excess capacity will have to be absorbed before capital investment and planning begin. Even if consumer spending does increase to such an extent in 1971 to warrant expansion and modernization of industries, the impact of such changes on capital investment are not likely to be felt extensively before late 1972 - as plans have already been committed for this year.

A very major factor in the economic growth which took place across Canada in 1970 was the strength shown in foreign trade, particularly from the resource based industries. This very favourable balance of trade did not come through increased sales activity with the United States, but rather from a spectacular surge in exports to Eastern Europe, the United Kingdom and Japan combined with only a very slight growth in the import of goods and services. Unfortunately, such exports are not likely to provide the same degree of stimulus to the Canadian economy this year, as there has been some slowdown in the European economy and a recovery in the American situation is not expected until the second half of 1971.

In addition, the higher value of the Canadian dollar will produce added hardships, not only for Canadian exporters, but also for our home industries - with the increased attractiveness to import using the "weightier" Canadian dollar.

Manitobans must not delude themselves into believing that there are any shortcut measures that can be grasped to bring about an immediate return to a healthy economy. It was unfortunate that the direct action taken by the Province of Manitoba to ease the troubled state of our economy was not paralleled and indeed strengthened by the federal government. The above average performance by most of the Manitoba economic indicators during 1970 truly attests to the value of such measures. It should be stressed, however, that while some apparent recognition of raging unemployment and a faltering economy has finally been given by the Government of Canada, it is essential that a strong and continued commitment be made if the economy is to be restored to full health.

ECONOMIC

TABLES

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

(MILLIONS OF DOLLARS)

Year	Manitoba's Estimated Gross Provincial Income	Percent Change Over Previous Year	Gross National Product	Percent Change Over Previous Year
1960	\$1,928		\$37,775	
1961	1,893	-1.8	39,080	3.5
1962	2,122	12.1	42,353	8.4
1963	2,185	3.0	45,465	7.3
1964	2,415	10.5	49,783	9.5
1965	2,569	6.4	54,897	10.3
1966	2,785	8.4	61,421	11.9
1967	3,028	8.7	65,608	6.8
1968	3,338	10.2	71,454	8.9
1969	3,559	6.6	78,560	9.9
1970*	3,826	7.5	84,468	7.5

*Estimated (1) At market price

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

SOURCE: DEPARTMENT OF FINANCE

SELECTED ECONOMIC INDICATORS FOR MANITOBA

(Millions of Dollars)

YEAR	PERSONAL INCOME (1)		LABOUR INCOME (2)		FARM CASH INCOME		CHEQUE CASHINGS	
	VALUE	PERCENT CHANGE	VALUE	PERCENT CHANGE	VALUE	PERCENT CHANGE	VALUE	PERCENT CHANGE
1960	1,461		864		233		19,081	
1961	1,425	-2.5	899	4.1	243	4.3	21,131	10.7
1962	1,602	12.4	953	6.0	263	8.2	21,191	0.3
1963	1,639	2.3	1,007	5.7	272	3.4	26,496	25.0
1964	1,777	8.4	1,060	5.3	302	11.0	27,284	3.0
1965	1,900	6.9	1,147	8.2	342	13.2	30,922	13.3
1966	2,073	9.1	1,248	8.8	377	10.2	33,715	9.0
1967	2,318	11.8	1,413	13.2	373	-1.1	35,372	4.9
1968	2,579	11.3	1,577	11.6	365	-2.4	34,184	-3.4
1969	2,785	8.0	1,774	12.5	352	-3.6	36,436	6.6
1970*	2,999	7.7	1,910	7.7	342	-2.8	39,897	9.5

*Estimated

(1) Data have been revised to accord with updated D.B.S. statistical series.

(2) Unadjusted wages and salaries.

SOURCE: DEPARTMENT OF FINANCE/DEPARTMENT OF AGRICULTURE/DEPARTMENT OF LABOUR

NEW CAPITAL INVESTMENT IN MANITOBA

(Millions of Dollars)

Year	Institutional Services and Government	Percent Change	Utilities	Percent Change	Private Sector and Other Capital Investment	Percent Change	Total	Percent Change
1960	152.6		181.8		346.7		681.1	
1961	142.6	-6.6	151.2	-16.8	290.9	-16.1	584.7	-14.2
1962	131.5	-7.8	170.2	12.6	294.7	1.3	596.4	2.0
1963	133.5	1.5	208.5	22.5	333.4	13.1	675.4	13.2
1964	148.1	10.9	190.9	-8.4	380.3	14.1	719.3	6.5
1965	145.6	-1.7	173.7	-9.0	414.9	9.1	734.2	2.1
1966	193.5	32.9	201.2	15.8	465.4	12.2	860.1	17.1
1967	180.4	-6.8	271.3	34.8	495.5	6.5	947.2	10.1
1968	212.8	18.0	305.4	12.6	501.0	1.1	1,019.2	7.6
1969	244.5	14.9	296.8	-2.8	606.9	21.1	1,148.2	12.7
1970*	250.4	2.4	291.6	-1.8	606.7	—	1,148.7	--

*Preliminary Actual

Source: Department of Finance

MANITOBA PROVINCIAL OUTPUT GROSS VALUE
(Millions of Dollars)

Year	PRIMARY RESOURCES		CONSTRUCTION		MANUFACTURING		RETAIL TRADE	
	Value	Percent Change	Value	Percent Change	Value	Percent Change	Value	Percent Change
1960	\$438		\$397		\$ 711		\$ 843	
1961	403	-8.0	370	-6.8	717	0.8	767 ⁽¹⁾	N/A
1962	616	52.9	361	-2.4	753	5.0	801	4.4
1963	581	-5.7	403	11.6	794	5.4	827	3.2
1964	637	9.6	421	4.5	861	8.4	873	5.6
1965	682	7.1	415	-1.4	913	6.0	918	5.2
1966	701	2.8	485	16.9	1,019	11.6	1,007 ⁽¹⁾	N/A
1967	683	-2.6	558	15.1	1,080	6.0	1,076	6.9
1968	697	2.0	645	15.6	1,119	3.6	1,121	4.2
1969	756	8.5	754	16.9	1,199	7.1	1,162	3.7
1970*	828	9.5	702	-6.9	1,218	1.6	1,182	1.7

*Estimated

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

SOURCE: DEPARTMENT OF INDUSTRY AND COMMERCE/DEPARTMENT OF AGRICULTURE
DEPARTMENT OF MINES AND NATURAL RESOURCES/DEPARTMENT OF FINANCE

VALUE OF MANITOBA'S PRIMARY RESOURCE PRODUCTION

(Thousands of Dollars)

	1964	1965	1966	1967	1968	1969	1970*
Agriculture (1)	\$429,000	\$464,000	\$487,000	\$471,000	\$458,000	\$473,000	\$468,000
Minerals	174,270	182,883	179,371	184,654	209,000	246,000 ⁽⁴⁾	330,000
Forest Products	22,500	21,700 ⁽⁴⁾	22,200 ⁽⁴⁾	18,400 ⁽⁴⁾	19,500 ⁽⁴⁾	23,000 ⁽⁴⁾	20,000
Furs (2)	5,047	6,676	5,134	4,590 ⁽⁴⁾	5,262 ⁽⁴⁾	5,911 ⁽⁴⁾	4,821
Fisheries (3)	6,048	7,039 ⁽⁴⁾	7,545 ⁽⁴⁾	4,721	5,497	8,286 ⁽⁴⁾	5,500
Gross Resource Output	636,865	682,298	701,250	683,365	697,259	756,197	828,321

*Estimated

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

(2) Ranch and wild furs.

(3) Based on the fiscal year.

(4) Revised.

SOURCE: DEPARTMENT OF AGRICULTURE/DEPARTMENT OF MINES AND NATURAL RESOURCES

ELECTRIC POWER AVAILABLE IN MANITOBA

YEAR	KILOWATT HOURS (Million)	AVERAGE NET VALUE (Thousands of Dollars)
1960	4,565	\$36,387
1961	4,908	41,137
1962	5,252	44,293
1963	5,778	47,344
1964	5,844	49,822
1965	6,264	51,931
1966	6,817	55,385
1967	7,207	58,541
1968	7,539	65,209
1969*	8,055	73,492
1970*	9,238	84,250

*Estimated

SOURCE: MANITOBA HYDRO ELECTRIC BOARD
 Previous year's data revised to accord with D.B.S. statistical series of electric power availability.

DISTRIBUTION OF INCOMES IN MANITOBA
(Based on Income Tax Data for Latest Year Available)

GROSS INCOME	NUMBER OF INCOME TAX RETURNS	PERCENT OF TOTAL NUMBER OF INCOME TAX RETURNS
Under \$ 1,000	51,267	12.4
1,000- 2,000	59,452	14.3
2,000- 3,000	55,005	13.3
3,000- 4,000	51,626	12.5
4,000- 5,000	42,184	10.2
5,000- 6,000	36,372	8.8
6,000- 7,000	34,192	8.2
7,000- 8,000	24,951	6.0
8,000- 9,000	16,405	4.0
9,000- 10,000	11,804	2.8
10,000- 15,000	21,971	5.3
15,000- 20,000	4,845	1.2
20,000- 25,000	1,731	0.4
Over 25,000	2,543	0.6
TOTAL	414,348	100.0%

SOURCE: DEPARTMENT OF FINANCE

RESIDENTIAL DWELLING STARTS IN MANITOBA

(Dwelling Units)

Period	Single Detached	Percent Change	Two Family	Percent Change	Row	Percent Change	Apartment + Other	Percent Change
1960	3,539		392		52		1,149	
1961	3,759	6.2	256	-34.7	51	-1.9	1,612	40.3
1962	3,279	-12.8	174	-32.0	345	576.5	891	-44.7
1963	3,794	15.7	182	4.6	264	-23.5	2,148	141.1
1964	4,270	12.5	230	26.4	412	56.1	1,740	-19.0
1965	3,621	-15.2	232	0.9	162	-60.7	1,954	12.3
1966	3,200	-11.6	196	-15.5	129	-20.4	1,727	-11.6
1967	3,374	5.4	216	10.2	367	184.5	1,880	8.9
1968	2,649	-21.5	237	9.7	274	-25.3	3,296	75.3
1969	3,315	25.1	416	75.5	707	158.0	7,406	124.7
1970	3,068	-7.5	889	113.7	935	32.2	4,053	-45.3

SOURCE: DEPARTMENT OF FINANCE

APPENDIX D

LETTER FROM THE HONOURABLE SAUL CHERNIACK, Q.C.,
MANITOBA MINISTER OF FINANCE TO THE
HONOURABLE EDGAR BENSON, FEDERAL MINISTER OF FINANCE
DATED MARCH 23, 1971 RE:
TAX REFORM

The Honourable Edgar J. Benson,
Minister of Finance,
Government of Canada,
Confederation Building,
OTTAWA, Ontario.

Dear Mr. Benson:

Since the scheduled meeting of Finance Ministers did not take place, I am writing to express deep concern about the forthcoming federal tax legislation which I now understand will be introduced in the House of Commons sometime at the end of April or the beginning of May. Recent federal government statements appear to place little emphasis on the removal of present regressive features and the need for equity and fairness in our new tax system based on ability-to-pay.

In view of this, it may be useful to briefly summarize the lengthy debate on tax reform that has taken place in Canada in the last decade and the position taken by the Government of Manitoba.

You will recall no doubt that the report of the Carter Royal Commission on Taxation in 1967 was a stinging indictment of half a century of Canadian tax policy. It concluded that the present Canadian tax system was not fair, was not based on ability-to-pay, bears too heavily on the low and middle income groups, has restricted economic growth and has resulted in a misallocation of our resources. Not only did it find the tax system inequitable, it also branded it as inefficient and not sufficiently shielded from political influence.

With the publication of the White Paper on Tax Reform in November, 1969, the federal government stated its intention to create a reformed tax system for the people of Canada - a system based on "fairness in taxation". The Government of Manitoba joined with your government in agreement with the worthwhile intentions presented in these statements although initially, we strongly felt that many of the specific proposals in the White Paper could have been put forward with greater recognition for the principles of equity and ability-to-pay and for the many regional variations existing across Canada.

Accordingly, Manitoba undertook a detailed examination of the White Paper proposals to develop further improvements and alternatives. Initially, this examination took the form of raising questions and registering concerns with the federal government as to the effects of the federal proposals - particularly as these related to the people of Manitoba. More detailed examinations stressing concepts and techniques rather than dollar revenue amounts were summarized in the Manitoba paper "Specific Propositions in Respect of Tax Reform" which was tabled at the June 1970 Ministers of Finance meeting and later tabled in the Manitoba Legislature.

I will not attempt to summarize these examinations here, although I have attached a list on our main conclusions and recommendations. However, I think it important that the views of the Manitoba Government on the matter of equity, ability-to-pay and economic growth in relationship to the reformed tax system be restated in view of your comments and those of others during the past weeks.

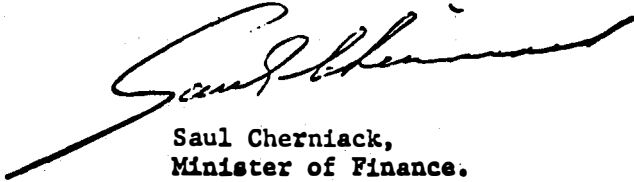
Since the beginning of the tax reform debate, Manitoba has striven to achieve real discussion and dialogue with your government on the principles and techniques for achieving the best reformed tax system for Canada. We have refrained from competitive statistical exercises and arbitrary statements. However, last December, we drew the attention of the Ministers of Finance to the change we sensed in the texture of the federal tax reform discussions - specifically following the release of the Commons Committee Report on the proposed tax system. At that time, certain federal statements could not help but alert certain apprehensions. Again, recently, your statements on the White Paper have raised certain doubts.

You have continued to stress the willingness of the federal government to respond to change and to seek better alternatives to the White Paper proposals. However, this willingness to alter the original proposals still appears to be geared toward changes which critics say will promote economic growth in Canada; there is less and less assurance that changes promoting equity among taxpayers will be considered. In fact, there is the implication that the principle of equity should be sacrificed whenever it appears to be in conflict with the promotion of economic growth within the reformed tax system.

The Government of Manitoba rejects this false trade-off in choices between economic growth and equity. As stated in the Carter Royal Commission on Taxation, equity and economic growth, and how they relate to the tax system, are totally independent choices. There is no conflict between fairness in the tax system and the promotion of economic growth designed to serve the people of this country.

I hope that the above comments and the position taken by the Government of Manitoba will be reconsidered prior to the introduction of your tax legislation. Tax reform is of critical importance to the Manitoba Government and to the citizens it represents. For this reason, I have taken the liberty of passing copies of this letter to members of the Manitoba Legislature, to my colleagues in other provinces and to the press.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Saul Cherniack", written in a cursive style. The signature is positioned above the typed name and title.

Saul Cherniack,
Minister of Finance.

att'd

MAIN RECOMMENDATIONS OF THE GOVERNMENT
OF MANITOBA RE: TAX REFORM

- (1) The new legislation to be based on tax credits instead of tax exemptions. Since exemptions provide greater benefits to those in higher incomes, a system of tax credits, with attention to marital status, dependents, day-care services, would be more equitable.
- (2) Comprehensive income concept to be adopted with all forms of income to be included and subjected to a graduated scale of income tax based on the ability-to-pay.
- (3) Capital gains to be taxed at full rates in the same way as salaries and wages and other forms of income, with exemptions and particular arrangements to prevent undue hardship for the family farm and the homeowner.
- (4) Strict limits on corporation capital cost allowances, advertising, entertainment and convention expenses.
- (5) Adequate assurances of sharing revenue increases with provincial governments, with estate and corporation taxation levied and administered across the country by the federal government.
- (6) The same treatment for employment expenses to be allowed for wage and salary earners as is now allowed for the self-employed.
- (7) Natural resource industries to be taxed on the same basis as other industries.
- (8) The continuation of progressive top rates in the income tax schedule which should enable the lowering of rates at the bottom of the scale.