

LEGISLATIVE ASSEMBLY OF SASKATCHEWAN
Second Session — Eleventh Legislature
15th Day

Wednesday, March 8, 1950.

The House met at three o'clock p.m.

BUDGET ADDRESS

Hon. C. M. Fines (Provincial Treasurer): — Mr. Speaker, I present this budget to you against the background of a disturbed world situation. The international scene, overclouded by the “cold war” and the threat of an arms race for new and more devastating weapons, is further complicated by currency and related trade difficulties. It is a scene of grave possibilities and many uncertainties – the very opposite of that world of security and stability for which so many people believe they were making such great sacrifices a few short years ago.

The currency problem – in other words, dollar shortages throughout the sterling area – constitutes one of the major obstacles to a freer movement of goods and to the full implementation of the Geneva and other trade agreements. The problem offers a continuing challenge, and perhaps for further which, sitting in the driver's seat, can most effectively provide the necessary solutions. The problem is of particular concern to Canadian agriculture whose loss of vital food contracts causes anxiety concerning the disposal of future surpluses. The economic situation calls for masterly statesmanship, tact and goodwill. I understand that another round of tariff talks, involving 33 countries, is scheduled to start next September. I am sure that all members will unite in the hope that something positive and effectual will emerge from these deliberations.

The Canadian economy, stimulated by new capital investment of \$3,280,000,000, experienced a continued expansion of employment and total production in 1949. Towards the end of the year, however, unemployment figures began to rise above previous seasonal levels and this trend has continued throughout the winter months.

Though the physical volume of Canadian exports was lower than in the preceding year, an increase was reported in sales of both capital and consumer goods in the domestic market. But there was some evidence that installment buying was on the increase, sales on that basis during the second quarter of 1949 running 20 per cent over the corresponding period of 1948.

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The Canadian agricultural industry faces the 1950 season with serious misgivings concerning markets, prices and the effects on the farm economy of recent freight rate increases. Cash income from the sale of farm products for the twelve-month period ended June last, reached the record total of \$2,467,528,000, nearly \$40,00,000 higher than the peak figure of 1948. Farm debt has been reduced, and a large backlog of machinery and equipment filled, either by cash or large down-payment purchases. During the past three years, farm equipment sales have increased from \$122,400,000 in 1947 to an estimated \$211,000,000 in 1949.

Saskatchewan agriculture reflects the national picture. The farming community feels it has been let down. It is disillusioned. It feels that the security afforded by the United Kingdom food contracts since the war, has been seriously impaired, and that the reduction in export outlets may lead to the piling of surpluses and a consequent decline in prices of farm products. Saskatchewan farmers are not blaming the British Government for this situation. They realize the dollar difficulties, and they are prepared to deal generously with a people who have endured so much austerity in their recovery efforts.

Statistics relating to the 1949 agricultural production in Saskatchewan strongly reflect the effects of the severe drought which again afflicted the southwestern and west-central portions of the province last summer. Some 4,400,000 acres, representing 28 per cent of the total acreage in production, recorded yields of five bushels or less, as compared with the 656,000 acres, or five per cent affected in the previous year. Some 45,000 farmers qualified for payments under the Prairie Farm Assistance Act in the amount of \$13,000,000.

Estimates of production of the principal grain crops show considerable overall reduction from 1948 levels, the total estimated value being down 16 per cent. The 1949 value is placed at \$357,456,000, compared with \$423,682,000 in 1948. Notwithstanding the drop in value, preliminary estimates of the cash farm income for 1949 range higher than the preceding year's by more than \$17,000,000, and, indeed, fall short of the peak year, 1944, by less than half a million dollars. The estimates for last year place the cash farm income at \$554,848,000, compared with \$537,267,000 in 1948, and \$555,289,000 in 1944. The increase from 1948 is directly attributable to the fact that, last year, \$115,000,000 was received by Saskatchewan farmers in payments on wheat participation certificates covering past deliveries, as against \$30,000,000 made a welcome addition to farmers' incomes for 1949.

Livestock population figures are based on estimates made on June 1, each year. These show reductions in 1949 in all categories except swine, but, of course, reveal nothing of what effect the uncertain market situation may have had since. The reduction in the cattle population as at June 1, 1950, is partly due to a leveling off from post-war peaks, and partly to the opening of the American market, beef prices having remained relatively consistent. Marketings of cattle, sheep and hogs all show declines from 1948 levels. Creamery butter and milk production, in 1949, were down seven per cent from the previous year. A drop occurred in the production of eggs, honey, and wool.

Production in the mineral industries during the past year was accompanied by a tremendous upsurge of interest and activity in exploratory work. Anticipations are that mineral production will progressively increase, and that the intensive and extensive search programmes for oil and uranium will result in substantial expansion of Saskatchewan's mineral industry. The new wealth and employment thus created will become an increasingly important factor in the provincial economy.

The estimated value of mineral output for 1949 is \$33,969,000, exceeding by more than one million dollars the actual value of the 1948 output.

The Hudson Bay Mining and Smelting Company at Flin Flon is constructing a new \$5,000,000 zinc recovery plant. This investment is indicative of the faith this company has in the future of its operations in the province, and of the confidence it has that the policies of this Government are no deterrent to legitimate enterprise.

Two significant features of non-metallic production during 1949, will, I am sure, be of interest to hon. members. The first is that the plant of The Prairie Salt Company recorded its first production of salt in May of last year, thus heralding the birth of a new and, we hope, expanding industry in Saskatchewan.

The second is that, in spite of the work stoppage which affected the coal industry in the Estevan-Bienfait district in the latter part of 1948 and the beginning of 1949, and in spite of the increasing use of oil as a competitive fuel, coal production in Saskatchewan, last year, reached a new high record at 1,869,910 tons, compared with 1,595,870 tons, in the previous year.

In the exploratory field, more mineral claims were staked during 1949 than in any previous year. Claims staked numbered 1,046, bringing the total of claims in good standing at January 1, 1950, to 2,252. This Government's Prospectors' Assistance Plan, inaugurated two summers ago, under which free mining licences, free recording of claims, free assays, transportation, geological advice and supplies of essential equipment are provided, is largely responsible for the very promising finds of radio-active minerals which are now in the early stages of development. With world-wide attention concentrated on these minerals, the activity here is attracting widespread interest. When major development takes place, however, our hope is that the product will be devoted to industrial rather than military uses.

Saskatchewan now has three potentially productive uranium fields located in the Lake Athabasca, Black Lake and Lac la Ronge areas. The operating companies report encouraging results and, by the end of the present year, it should be possible to estimate the productive capacity of several of the properties. Other less spectacular discoveries of gold and base metals also resulted from the increasing interest of mining concerns in Saskatchewan's northland.

A unique feature of the government's mineral development programme is the prospecting training being given the native population of the north. Reference already has been made, at this Session, to this part of the

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programme. I mention it merely to emphasize the efforts of this Government to stimulate prospecting and to provide new opportunities for the long-neglected native people scattered through our north country.

The estimated value of petroleum production in Saskatchewan during 1949 is \$1,250,000, an increase of \$300,000 over the preceding year. Natural gas output rose 10 per cent. Oil production is steadily climbing and will continue to climb, for the intensive explorations now in progress may well prove to be the most important event in Saskatchewan's economic history since the settlement of our fertile agricultural lands. Twenty-seven geophysical parties, using every modern type of geophysical equipment, were active during 1949, with surveys of three types: serial magnetometer, gravimetric and seismic.

Many of the largest and best-financed Canadian and American oil companies have now joined the search. Approximately 35,000,000 acres of Crown gas and oil rights were held by the oil companies at December 31, 1949. In addition, millions of acres of privately-owned gas and oil rights have been leased. The expenditure during 1949 on geophysical surveys and drilling alone is estimated at \$1,166,000, while the forecast expenditure for 1950 is in excess of \$5,000,000.

The primary industries of the north – fish, fur and timber – present a more mixed picture. With respect to the fishing industry, the volume of the catch was only slightly lower than the previous year. But the collapse of export prices caused by market gluts would have placed ruinous burdens upon the individual fisherman had not the Saskatchewan Fish Board absorbed the large part of the loss involved. It became clear during the course of the year just past, however, that a crown company could not be expected to cover the losses of a marginal industry. A complete re-organization was, therefore, effected to transform the corporation from a buying and selling agency to a marketing service, similar to the Saskatchewan Fur Marketing Service.

Wide fur production during 1948-49 had an aggregate value of \$1,992,274, some half million dollars less than in the previous year, while value of ranch fur dropped sharply because of the lower prices for pelts. Conservation measures taken to preserve and increase the muskrat and beaver population have proved effective. The annual catch of these our main furbearing animals, is on a quota basis, and no trapping is allowed until there are sufficient animals to warrant trapping without unduly depleting capital stock. Even with these restrictions, it has been possible to increase the trapping quota each year over the past four years. The beaver take has increased from 473 in the 1944-45 season to 10,818 in 1949-49. During the same period, the muskrat take increased from 114,481, to 722,542.

Softer prices and further restrictions of the cut under the long-term management and sustained yield programme for our forests were reflected in a small decline in the value of forest products. Annual production is being gradually reduced in order to extend the life of our sadly depleted commercial timber stands. Through scientific forest management and conservation programmes designed to effect a balance between production and annual tree growth or increment, annual output has already been reduced from a past peak of 150,000,000 feet board measure to 60,000,000 feet. The Government is erecting a high

utilization sawmill at Big River, within access of the Dore-Smoothstone Lakes spruce stand, one of the largest and best of the remaining timber stands in the province.

The major problem in managing these resources, so ruthlessly exploited in the past, has become one of the developing the economic utilization of all our forest species. To this end continuing study is being given to ways and means of encouraging secondary wood-using industries.

For the most part, the past year has witnessed high levels of activity in our leading manufacturing industries – those connected with the processing of our farm products such as meat packing, flour milling and dairy output. The gross value of production rose well above the \$200 million mark in 1948, and it would appear that 1949 will have surpassed this level. The growth of our secondary industry since 1944 – an increase of about 15 per cent – has been a substantial one. It is particularly encouraging to a Government which has seriously concerned itself with the challenge of building up a more diversified economy in Saskatchewan.

In this integral part of our programme for the province we have been anxious not only to secure greater economic stability, but also to provide opportunities for our people. For the most part we believe that private and co-operative enterprise is best suited to enter into competitive fields of secondary industry, such as the manufacture of consumer goods. Our policy is to aid and encourage such development – and we are prepared to offer special financial assistance through the Industrial Development Fund and Co-operative Guarantee Act. New capital investment and maintenance expenditure in manufacturing in each of the past three years has been close to the \$8 million mark – far higher than at any time in the past.

The Government itself, while relying chiefly upon private and co-operative organization, has felt the need and its responsibility for some bold, positive experimentation in this field. Saskatchewan Industries has been an attempt to accomplish these things: to develop further uses for the raw materials from our farms, to provide training and employment in skilled trades for the growing urban population, and to produce useful goods at acceptable prices for local consumption. One of our efforts in this direction – the leather products industry – has had to be given up. Difficulties with raw materials and production technique, the limited scope of our market, and competition with low wage plants in the east, all combined to make it impossible to operate successfully. The woolen mill is not yet fully paving its own way. But as the annual report indicates, such substantial improvement has been effected that it gives real hope for successful and profitable operation. It has already attracted the interest and concrete action of clothing manufacturers in establishing themselves in these province. And we think its importance to our general programme of industrial development fully justifies a further, continued trial.

The construction industry in 1949 reached a new record level for the province, with contracts being awarded to the value of \$43 million. The previous high of \$34 million occurred in 1929. In terms of value of work

actually performed, 1949 also recorded a new high of \$26 million, an increase of 9 per cent over the previous year. More detailed analysis shows that the postwar boom in residential building is leveling off, but substantial increases are being recorded in other types of construction.

Transport and Utilities also maintained record activity throughout 1949. Revenue freight car loadings in the province advanced about 14 per cent over the previous year. But as I noted last year increasingly severe and discriminatory burdens have been placed upon the Canadian prairies as a result of the cumulative percentage increases in the freight rate structure. The last of these has only recently been announced, boosting rates to 40.4 per cent over the 1948 level. Our government has joined with the other prairie provinces in battling against these increases but with only limited success. But we shall insist to the utmost that the vital Crows Nest Pass grain rates must and shall be protected.

In the field of passenger transport our publicly-owned bus lines have enjoyed a highly successful year. The Company's buses carried passengers and express, approximately 10,000 miles daily. Seven new schedule runs were added and additional new equipment secured. The total number of employees reached 264, with an average monthly payroll of over \$44,000. By extending and instating emergency runs, the Company has been able to provide service necessitated by the reductions ordered by the CNR during this current winter.

In the far north, Saskatchewan airways expanded their overall operations. Air transport has rightly been called the key to the development of the north. Our publicly-owned airways provided regular and charter flights for passengers, mail, express and freight, performing these services at cost. They are playing a vital role in the opening up of the vast wealth that lies locked within that remote wilderness of rock, lake and forest.

The output of electric power generated in central electric stations of the province, excluding northern waterpower plants, rose to a total of 353 million kilowatt-hours in 1949. Estimated revenue from the sale of this energy now approximates \$11,000,000. The Saskatchewan Power Corporation further consolidated its position as a major factor in this basic utility field. Output increased by 15 per cent over 1948, and over 200 million kilowatt-hours were distributed through its meters. The transmission network was further extended to link up 47 additional centres. At the close of the year the Corporation operated 4,600 miles of network serving 58,000 customers.

Two particular aspects of the steady growth of the Corporation seem to merit attention. First, our progress in farm electrification. During the year, special attention was given to organizing and testing service under our new act. The objective of 1,200 additional farms was successfully accomplished and the groundwork laid for the future. The Corporation is fully alive to its responsibilities in working out realistic methods of bringing the benefits of electric power to as many farms as possible. It is, in fact, carrying this to the point where costs equal income with a resultant decline in our rate of earnings. But we believe that in this basic service "power at cost" must be the principle for Saskatchewan.

A second aspect of the programme is the consciously-planned policy of the Corporation to tap and to utilize all the various energy resources of the Province. The most important of these today are the extensive lignite coal fields of the south, and these provide the major source of energy for the system today. But the development of natural gas and petroleum fuels from the north-eastern section is of growing importance and the Corporation is following a careful policy of integrating the use of these resources into a longer-term programme. To the same end, careful study is being given in conjunction with P.F.R.A. to the hydro-electric power potential for the proposed South Saskatchewan river development.

The year 1949 proved to be a record-breaking one for the Saskatchewan Government Telephones.

During 1949:

- (a) More new installations (6,138) were made than in any previous year.
- (b) More stations (70,460) were in use than in any previous years.
- (c) More long distance calls (5,176,445) originated in Saskatchewan than in any previous year.
- (d) More money was spent on construction (\$3,005,000) than in any previous year.
- (e) The profit (\$1,282,160) was the greatest in the history of the company.

Notwithstanding these excellent record-breaking achievements, much remains to be done. There is still a heavy waiting list of people desiring telephone service. Our long distance facilities are still inadequate. It is hoped that during 1950 we will go a long way towards providing these needs, and that Saskatchewan will still have the record of having one of the finest telephone services in the world.

Trade and commercial activity generally during 1949 reflected the high level of purchasing power in the hands of our people. Estimates of retail trade for the province rose to more than half a billion dollars – a gain of 13 per cent over 1948. A comparable advance was recorded in the overall measure of economic activity – the volume of cheques cashed at clearing centres. These rose to \$2.4 billions.

Business enterprise indicated a continued keenness to share in the economic growth of the province, and substantial increases in business incorporations and registrations were noted in 1948-49. During the period under review, 155 new companies, capitalized at \$23 million, were incorporated. At the same time, 587 new partnerships were registered. New capital continue to flow into the province and 133 outside corporations, with total capitalization of \$1.2 billion, registered to do business in the province for the first time.

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All these figures represent important increases over the earlier records set in 1947 and 1948. I suggest that they speak for themselves.

It is hardly necessary for me to note that the co-operative movement continued its basically important role in production and distribution activity. Further growth in numbers, membership and assets of co-operative associations and credit unions was strikingly evident during the 1948-49 fiscal year. Assets of co-operative associations rose by 15 per cent to reach a record level of \$74 million. Their volume of business expanded by 21 per cent to the level of \$267 million. Assets of credit unions more than kept pace with a rate of increase of 32 per cent during the year. The importance of these institutions as agencies for credit to meet specialized needs is reflected in the total of loans issued during 1948-49 of \$6.2 million, an advance of \$1.5 million over the previous year.

Throughout this general review, Mr. Speaker, I have made several references to the part being played by some of our publicly-owned enterprises in the economic development of the province. But no budget address would now be complete without a summary accounting and appraisal of this part of the Government's programme. The detailed reports and audited statements of each of the corporations have been laid before the House. The overall financial results on operations during 1948-49 are reflected in the report of the Government Finance Office as at March 31, 1949. This shows a net revenue of over \$3 million, representing a return of approximately 8.9 per cent on advances from the Treasury. Individual reports covering operations during fiscal years ending in late 1949 indicate varied results, but interim figures show an overall rate of return of about 7.5 per cent. When losses of the discontinued operations are excluded, net earning of \$3,270,000 on average advances of \$39,440,000 show a rate of return of 8.2 per cent. Major factors in accounting for the decline from last year were losses on discontinued operations and lower rates of return for the Timber Board, Saskatchewan Minerals and the Power Corporation.

The earnings and profits of our public enterprises are, of course, fundamentally important, and we have previously announced that companies which cannot pay their own way after a fair trial will be discontinued, unless they are providing an essential public service. But I desire to stress again that in the government view the significance and success of the corporations are not measured merely in terms of the rate of profit. Many other tests may be applied from the social viewpoint.

I have noted the economic value and the enormous social contribution now being provided by our power and telephone utilities. To these services have been added the bus lines and the airways, integral parts of a complete transport picture for the province. Then there is the Insurance Office. Not only has the office earned substantial revenues for its owners – the people of the province – but by its influence in holding down competitive rates, it has made large savings possible for all our people. And it has been the medium through which the incalculable benefits of the automobile insurance plan have successfully been secured for thousands of Saskatchewan citizens.

With other corporations we have been chiefly concerned to effect the rational development of our resources – husbanding them with care to counteract the ruthless despoliation of the past, bringing them to use where they have

lain dormant and neglected for centuries. Then again, our efforts have been directed to the formidable and complicated problem of promoting and establishing new processing and manufacturing industries. Our experience to date has stressed the need for careful analysis and study, and pointed still more emphatically to the importance of developing these long neglected parts of our economy. The problems encountered have been many and difficult, but they have been and will be tackled with a sense of the social purpose to be fulfilled.

Our publicly owned enterprises in all fields now provide jobs for over 3,000 men and women. They are employed under the best wage and working conditions possible. In 1949, the employees received a total of \$6,354,000 in wage income. The companies transacted a gross volume of business accounting to almost \$25 million. It is, to be sure, a small sum in comparison with the huge wealth flowing through the coffers of many of the gigantic monopolies which dominate the economic life of our country. But every citizen of the province has a personal stake in our public enterprises, an ultimate voice in their ownership and control.

The advance of our non-agricultural industries is reflected in a growth of employment of about 4 per cent in 1949 over the previous year. Moreover, it would appear that with the increasing mechanization of our farms and the growth in the size of farm units, a higher proportion of our people are now living in the urban centres. But members of the Legislature will be pleased to know that the latest D.B.S. figures again shows an increase in total provincial population. A gain of 7,000 persons has been recorded since my last budget address, and our population now stands in excess of 861,000 people.

The continued general prosperity of our Province in the past year has reflected favorably in financial affairs of all three levels of government. Municipalities generally have enjoyed higher revenues from all sources, and deficit budgeting has been notably reduced. At the same time, expenditure upon local public works has been greatly expanded, and with the close co-operation and support of the Provincial Government, vastly improved public services in education and welfare are being provided. Thus combined provincial-municipal expenditure on education has risen from \$15 per capita in 1943-44 to \$27 in 1948-49, and the proportion supplied by the Province has increased from 28 per cent to over 33 per cent. In health and public welfare, combined expenditure per capita has risen over the same period from \$7.60 to \$25.80 – and the provincial share has increased from 51 per cent to 72 per cent.

In my address last year, I noted the very substantial aid we are now giving the municipalities. The details are on record and need not be repeated here. But I must stress again that since first coming to office this Government has relieved the municipalities of crushing burdens of relief indebtedness. It has taken over a great share or even 100 per cent responsibility for many essential services. And it has more than trebled direct cash payments to local governments.

There is, of course much more that we are anxious to do. In a country such as ours, financially healthy municipal institutions are basically important. They are necessary to the efficient discharge of local services. They provide the essential foundations of democratic self-government. And this administration firmly believes that the objectives of minimum public services and adequate fiscal resources are as valid at the provincial-municipal level, as they are in the federal-provincial sphere. The policies of this Government

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have been directed toward these objectives from the very beginning. They will be both continued and improved.

But attention must be drawn again to the fact that seven provinces of the Dominion still await action by the Federal Government to give effect to comprehensive health and social security measures. First advanced five years ago as an integral part of the postwar reconstruction, they are still desperately awaited by millions of Canadians. Tremendous public pressure has wrung from Ottawa some slight token action – the health grants, pension increase and recent unemployment insurance extension. But for the most part these gestures have served only to increase the financial load upon this province. Until genuine, national programmes are introduced, we are compelled to carry the major burdens alone. Consequently we find ourselves severely restricted in our further anxiety to assist the municipalities.

As honourable members of the Legislature are aware, a new Dominion-Provincial conference to consider pressing economic questions has now been called for the fall of this year. We intend at that time to press for action along the lines advocated by the Rowell-Sirois Commission, which led to the 1945 proposals. If these can be accomplished, the way will be cleared for a more equitable distribution of all our financial burdens – federal, provincial and municipal alike.

On February 21st, I tabled the Public Accounts for the fiscal year ending March 31, 1949. It is most gratifying, I am sure, to all Members of the Assembly, including the Opposition, to have learned that the continued buoyancy of revenues, together with the careful administration of the government, has made it possible for me to report another substantial surplus on revenue account.

This surplus of \$1,014,000 was obtained after using only \$4,000,000 of the liquor profits. Had we used all these profits for revenue purposes, the surplus would have been \$4,560,000.

Last year, the Legislature passed a total of \$49,101,220 estimated expenditures. During the year it was deemed advisable to incur further revenue expenditures requiring a supplementary vote amounting to \$5,166,554, of which some \$1,500,000 was for inter-departmental payments and returnable to the Treasury. Thus the total estimated net expenditures for the current year will amount to \$52,700,000 approximately.

Revenues during the year have continued to be reflected in the amount of our annual subsidy, which will be approximately \$800,000 more than was anticipated.

Notwithstanding the drought in a large area of the province, the Education Tax receipts still continue to rise. This reflects the continued increased cost of goods, as well as the increased industrial activity in the province.

Gasoline tax receipts are considerably higher this year reflecting an increased number of cars on the highways as well as a greater amount of winter driving resulting from the policy of the highways department in keeping a great many roads open.

During the current fiscal year three issues of debentures were sold.

The first issue of \$3,000,000 dated June 1, maturing in 1964 and bearing interest at 3¾% was sold by the syndicate at a price of 96.75 to yield 4.04%

The second issue of \$4,000,000 dated October 1, was made up as follows:

\$1,000,000 – 3% serial debentures maturing \$200,000 annually each year to 1954.

\$3,000,000 – 3¾% debentures maturing in 1965.

The former issue was sold privately at a price of \$99.50. The \$3,000,000 issue was sold by the syndicate at a price of \$97.07 to yield 4%.

The third issue of \$2,500,000 dated February 1, maturing in 1968 and bearing interest at 3½% was sold by the syndicate at a price of \$99.75 to yield 3.52%. The demand for this issue was so great that the dealers applied for an additional number of bonds to be marketed at the same price. Thus we were able to increase the original \$2,500,000.00 to \$3,400,000.00.

The successful marketing of these issues indicates the soundness of the policy followed by the Treasury in reducing our indebtedness. This improved credit rating must not only be maintained but constantly improved, as reduced interest rates mean a smaller portion of the budget required for debt financing.

This improved position and the esteem in which the province is held by the investing public is reflected in the following table of average yields of intermediate term bonds of certain provinces:

	Saskatchewan	Manitoba	British Columbia	New Brunswick
1942	6.17	4.35	3.88	3.96
1945	5.63	3.54	2.95	3.24
1948	3.83	2.95	2.70	3.09
1950	3.50	3.00	2.91	3.52

In addition to the amounts borrowed during the current fiscal year, there was \$4,000,000 in January 1949, making in all \$11,000,000 borrowed during the calendar year 1949. This is not, however, the amount by which the debt was increased during the year. The following table shows that the net increase during the calendar year was \$3,286,445:

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	<u>Apr. 30, 1944</u>	<u>Dec. 31, 1948</u>	<u>Dec 31, 1949</u>
Bonded Debt	\$125,244,954	\$138,322,423	\$127,426,428
Treasury Bills	92,910,900	49,098,810	42,481,155
Contingent Liabilities	<u>20,016,607</u>	<u>1,140,460</u>	<u>1,326,793</u>
 GROSS DEBT	 \$238,172,461	 \$188,561,693	 \$171,234,376
Less Sinking Funds	<u>23,919,341</u>	<u>43,934,324</u>	<u>23,320,562</u>
 NET DEBT	 \$214,253,120	 \$144,627,369	 \$147,913,814
Per Capita	\$ 254.16	\$ 169.35	\$ 172.00

During the year the gross debt has been reduced by \$17,327,317. This large reduction was made possible by the cancellation of \$11,720,000 debentures issued on behalf of the Wheat Pool. On September 10, the pool made a payment of \$465,000, the final payment of the indebtedness of approximately \$22,000,000 of principal and interest which the pool undertook to repay the government in 1933. During the life of the agreement the Wheat Pool had not only met its obligations on the due date but, because of the efficient operations of the Sinking Fund Trustees, has been able to pay off the entire indebtedness two years in advance. There are still outstanding just over \$2,000,000 of debentures, which will be redeemed on October 1, 1951, at which time any incidental costs connected with the issue will be adjusted between the Government and the Wheat Pool.

During the year other issues held entirely in the sinking funds, have been cancelled. This has resulted in a reduction not only in the gross debt, but also in the sinking funds, and will result in a reduction in the annual carrying charge of this portion of the indebtedness.

The debt of the province has been reduced by over \$66,000,000 since April 1, 1944. This reduction has been accomplished in spite of the fact that capital expenditures totaling over \$47,000,000 have been incurred during this period.

It is not only the quantity of the debt which has been improved, but also its quality. In 1944 a very large part of the debt was dead weight and very little of it self-liquidating. Today, that situation has been reversed. The dead weight debt has been sharply reduced, partly due to the cancellation by the Dominion of certain relief treasury bills, and partly to payments from current revenues of the province. On the other hand there has been an increase in the self-liquidating debt incurred for such purposes as power, telephones, and crown corporations.

I would like to turn now to the budget for the current year. The details of estimated revenues and expenditures have been tabled. These estimates provide for an anticipated surplus of \$33,150, made up as follows:

Estimated Receipts	\$55,053,910
Estimated Expenditures	<u>\$55,020,760</u>
	\$ 33,150

The estimated expenditures of \$55,020,760 compare with an estimated \$49,101,220, last year.

Each of the past three years I have pointed out that we were living in a period of relatively great prosperity with very buoyant revenues, and that our existing revenues would not enable us to provide additional services without finding new sources of revenue. Because of this buoyant condition and because of the inflation of the Canadian dollar our revenues have risen without increasing taxes, while at the same time it has cost more to provide the same services, thus increasing our expenditures very greatly.

We sometimes hear criticisms of provincial governments' budgets being much higher than they were six or seven years ago. When we remember however, that the value of our dollar today is only about 60¢, then we can quite easily realize that our proposed \$55,000,000 budget is in reality only a \$33,000,000 one.

This fact is very evident to the wage-earner whose pay cheque for \$200 will not go as far as his pre-war cheque for \$125, to the farmer who finds himself handling a great deal more money, but having none of it left at the end of the year.

In my opinion, we have now passed the peak, and from now on revenues will decline. I do not anticipate any sudden fall during the next six months, but rather a steady, gradual decline. What will happen after that time will depend on crop conditions and on our ability to dispose of our agricultural products at reasonable prices.

Estimates of the amounts required for capital purposes now before you are for a total of \$17,973,000. It is to be noted that of this amount the larger part is required to meet the needs of the utilities.

During the coming year, it is proposed to spend a total of \$5,000,000 on behalf of the Power Corporation. The purpose of this amount is for the construction of additional generating capacity, for distribution lines, and for new connections.

We are asking for \$4,160,000 for the Telephone Corporation. This will provide new installations and will provide additional exchange and long distance facilities. At the present time there are requests for approximately 7,000 new installations.

For construction of highways and bridges you will be asked to provide \$3,000,000.

The other major expenditures on capital account will be for public works. These will provide for completion of several new buildings at the University and the Industrial School. In addition, it will provide for some extensions and improvements at the Mental Hospitals. It will also provide for the beginning of a new training school for the mentally defectives at Moose Jaw and for a new administration building in Regina. The purpose of the latter is to consolidate the offices which, at the present time, are scattered in various parts of the city. This will lead to increase efficiency and a reduction in costs of administration.

Thus it can be seen that the capital programme will be largely a self-liquidating one.

This year the Legislature will be asked to vote \$8,590,490 for debt charges, an increase of \$575,000 over last year. It is anticipated that \$135,000 will be required to pay the premium on the American currency necessary for the interest on that part of our debt payable in the U.S.A. This is one of the effects of the devaluation of our dollar last September. The main increase, however, is in the amount necessary for sinking fund payments, which amount this year to \$997,210, an increase of \$232,000 over last year.

In the past few years I have been endeavoring to build up our sinking funds so that when debentures mature it will not be necessary to refund the whole amount. Prior to 1946 there was a sinking fund of 1% on only about 30% of our debentures debt. During 1947 and 1948 we arranged a sinking fund of 2% on all borrowings those years. During the present year we have provided for a sinking fund of 3% on each of the three issues mentioned earlier. At the latter rate at the end of a twenty year period, with earnings invested, there will be a sufficiently high sinking fund to enable the province to pay off practically the entire debenture. It is my hope that this policy can be continued, so that we can be relieved of the interest burden, which has in the past taken such a large share of the tax dollar.

During the next year the province will spend \$6,392,000 from current account and \$3,000,000 from capital account, a total of \$9,392,000 on highway construction and maintenance. In addition to this it will be necessary to budget for over \$2,000,000 to meet the sinking fund and interest charges on the debt of \$30,162,000 incurred for highway construction, for the most part fifteen or twenty years ago, and on some of which interest rates of 6% are still being paid. Thus there will be spent this year on behalf of our highways \$11,500,000, the largest amount in the history of Saskatchewan, and more than was spent in the 5 years prior to 1944.

Against this expenditure, however, it is anticipated that motorists will pay to the treasury \$7,000,000 in gasoline taxes and \$3,150,000 in license fees. From this should be deducted \$360,000 to be spend for licence plates and their insurance, highway traffic supervision, dyeing of gasoline, and other administrative expenses, leaving the total net revenue from motorists of \$9,790,000. This means that the motorists are \$1,710,000 short of paying for what they are getting.

In the vote for the Highways is included a sum of \$1,000,000 representing the province's share of the first year's expenditure on the Trans Canada Highway. It is hoped that the agreement can be completed at an early date in order that the work may be commenced immediately on this long over-due project.

Estimates for the Education Department on revenue account this year will be \$9,131,000 compared with \$7,554,340 last year, an increase of \$1,576,660.

Grants to schools will be increased by \$1,192,000 bringing these to a new high of \$6,445,300. It is hoped that these increased grants will help the local districts and units in their efforts to provide better

educational facilities for the young people of their communities.

At this time I would draw the attention of hon. members to an item of \$115,000 in the supplementary estimates. This is to provide for scholarships and loans for worthy students. The fund of \$1,000,000 as provided for in the 1949 legislation was set up at the beginning of the fiscal year. However, it was felt by the trustees of the fund, and concurred in by the government that the fund should have a full year to operate without any sums being drawn from it. Hence, the decision to provide by special warrant, an amount sufficient to provide all loans and scholarships for the current year. It is anticipated that the amount of the fund at the beginning of the next fiscal year will be approximately \$1,100,000.

The grant to the University of Saskatchewan has been increased to \$1,125,000, an increase of \$225,000 over last year. In addition to this, an amount of \$595,000 is being provided to complete the unfinished buildings at the University, other than the hospital. Thus, there will be \$1,720,000 from provincial funds for the use of the University during the next year.

At this time, it may be of interest to the members to learn that the total amount of provincial government grants and construction for the University has amounted to \$9,573,019 since April, 1945, an average of \$1,595,000 per year. Compare that with the total of \$3,248,558 in the previous six years, an average of \$541,000 per year . . .

The total proposed expenditure of \$9,131,000 on education is of course an all-time record for the province and compares with a total of \$4,073,000 six short years ago.

This year, in accordance with the policy of amalgamating the Public Health Department and the Health Services Planning Commission, as announced by the Minister, it has been considered advisable to show the proposed expenditures under one vote. This year for health services you will be asked to approve a total of \$12,320,460, compared with \$10,398,750 last year, an increase of nearly \$2,000,000. This increase is largely for the hospitalization plan. While the revenues from the hospitalization tax have remained at under \$6,000,000 each year the costs have risen to well over \$10,000,000 with the expectation this year that they may reach \$11,000,000. This cost is due to the increased number of people being admitted to the hospitals (due largely to the increased number of beds) and to the increased cost per patient day charged by the hospitals. The experience in Saskatchewan is not unique. In other parts of Canada hospitals are threatening to close their doors, or are being heavily subsidized by municipalities.

In British Columbia after fifteen months of operation of their hospitalization plan, there was an overall deficit of \$4,587,000, with an anticipated deficit of \$7,000,000 after 27 months of operation. This result occurred, notwithstanding the fact that the hospital tax, originally \$15 for single persons, \$24 for couples, and \$33 for families of 3 or more persons, was raised to \$21 for single persons and \$33 for couples or families – an increase of 32%. In Saskatchewan we have kept our rates at \$10 for single persons, \$20 for couples and \$5 for dependents, with a maximum per family of \$30.

When the Saskatchewan plan was introduced it was anticipated it would be self-supporting except for the special subsidies originally provided for. These included the statutory 50¢ per day grants to hospitals, and the cost of providing hospitalization to Old Age Pensioners, and those in receipt of Mothers Allowance and Blind Pensions. It was understood there would be no further responsibility for the treasury to find other revenues. However, it is now apparent that there will be an annual deficit of over \$3,000,000. The government has considered the various alternatives of meeting this situation.

By requiring the patient to pay the first \$20 on admission to the hospital we could get approximately \$3,000,000 from the 153,411 people who used the hospitals in 1949. This, however, would weaken the principle of hospital insurance, which provides for the premium paid in advance in relieving the individual of paying at the time he requires the service. In addition, it would prevent many people using the service, which should be available to all, regardless of their financial ability. The government has therefore decided against raising the revenue to meet the deficit in this way.

We then considered an increase in the amount of the premium. If we raised our rates to those presently charged in British Columbia, namely \$21 for single persons and \$33 for couples or families, we would be able to collect approximately \$3,000,000 additional.

Any such increase however would add to what we consider is already an unjust principle of taxation. When the present hospitalization plan was introduced we had anticipated that long before this time the federal government would have introduced its health programme as outlined in the green book proposals in 1945. Under this plan they would contribute 60% of the cost of the hospitalization, but insisted that each province would levy a per capita tax on the individual. Such a tax violates the principal of taxation based upon ability to pay, as it requires that each person pays the same tax irrespective of the amount of income. We have therefore decided against meeting the deficit by increasing the hospital tax.

We have considered what method could best be used to raise the amount of the deficit, and which at the same time would not have the objections already referred to. This led us to consider the extension of the present education tax.

This tax has been criticized more than any other provincial tax, but this criticism has usually been political, and not based on sound reasoning. As originally drafted with few exemptions the tax did have some vicious features. Any tax on food stuffs must be considered regressive. The same is true of the tax on many other necessities for which the poorest person in the province must pay as much as the wealthiest. It has been my purpose to remove these regressive features. In the last five years this has been done to a large extent by the removal of the tax on:

- (a) Foodstuffs of all kinds
- (b) Meals and lunches

- (c) All drugs and prescriptions
- (d) Soaps and cleaners
- (e) Second-hand goods
- (f) Weed control chemicals and sprayers
- (g) Animal feeds

Legislation will be introduced at this session to remove the tax on:

- (a) Fertilizers
- (b) Grasshopper bait
- (c) Forage crop seed
- (d) Garden seeds
- (e) School text books

It is also my intention to broaden the definition of farm implements by amending the regulations to include hay bailers, swath turners, fertilizer feeders, grasshopper bait spreaders, irrigation units and hydraulic lifts.

These exemptions remove still further some of the regressive features of the tax.

Consideration has been given to removing the tax on children's clothing, but it has been found administratively impossible unless we remove it on all clothing.

There is no doubt that certain persons would be prepared to sacrifice badly needed health and education services in order that they may gain whatever political advantage they can by their advocacy of removing a tax which they introduced many years ago. I am confident however, that most intelligent people realize that such a proposal can not be genuine, unless the welfare of the people of the province is to be sacrificed.

Commencing April 1, therefore, it has been decided to discontinue the present Education Tax, and in its place to levy an Education and Hospitalization tax of 3%. It is proposed that 2/3 of the amount collected will be used for Education and 1/3 to meet the Hospitalization deficit. The additional \$3,000,000 to be raised in this way will fall most heavily those best able to pay and on corporations from whom the province collects very little revenue at present.

May I remind the house that year after year the Trustees Association and the Teachers Association, and last year the Rural Municipal Association, have urged us to continue with the sales tax as a principal source of provincial revenue.

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I feel confident that when the various alternative proposals are placed before the people of Saskatchewan, they will agree with the recommendations I am leaving with you at this time.

In closing I would like to urge all members to place the interests of the province above their political interests. At the present moment Saskatchewan is facing many great problems and important decisions will have to be made in the near future. We may be entering on an era of unprecedented development which will make the name Saskatchewan known all over the world. It is the duty and responsibility of all citizens who love their province to say or do nothing which will impede that development.

At the same time, we are facing many serious problems which will require the united efforts of all our people in the finding of a solution. The grasshopper menace is with us again this year; the danger of drought is ever present on these prairies; the battle for equitable freight rates will continue throughout the year; the necessity of irrigation in the southwest is of prime importance; falling prices and danger of losing our markets is a problem of the first magnitude.

I am confident that it is the wish of the citizens whose servants we are that we should unite in trying to find a solution to these problems. I am confident too that the budget which I have presented to you today will materially assist in doing so.

For this reason, Mr. Speaker, I move that you do now leave the Chair.

Mr. E. M. Culliton (Gravelbourg): — I beg leave to move the adjournment of the debate, Mr. Speaker.

Motion agreed to and debate adjourned.

The House adjourned at six o'clock p.m., without question put.