

LEGISLATIVE ASSEMBLY OF SASKATCHEWAN
THIRD SESSION — ELEVENTH LEGISLATURE
15th Day

Wednesday, February 21, 1951.

The House met at 3.00 o'clock p.m.

BUDGET ADDRESS

Hon. C.M. Fines (Provincial Treasurer): — Mr. Speaker, a year ago, in rising with the traditional motion that you do now leave the Chair and that supply be granted to His Majesty, I prefaced my annual budget review with some brief remarks upon the disturbed state of international affairs. At that time the cleavage between East and West had already deepened into the "cold war", and the attention of the Western democracies was already turning to renewed measures of collective defence. And yet, I think it true to say, it was still the world's hope that a third global war could surely be averted through the organization, and through the moral authority, of the United Nations. Thus our immediate concern last spring was focused upon the continued imbalance in world trade and its effect upon economic prospects for Saskatchewan.

In the period since then, armed conflict has actually broken out and we are faced with the imminent risk of a third world catastrophe. The fighting, thus far, has been largely localized in Korea, but as the Secretary of State for External Affairs has pointedly expressed it, — "The peace of the world is in the balance, and we are walking on the edge of a volcano which is rumbling alarmingly."

I need not elaborate at this time upon the most direct effects of this critical situation. They are already visible throughout the nation as a whole and in our own province. The recruitment of our own young men for the armed forces, the organization of civil defence, the shortage of strategic materials, and the fiscal problems of a tremendous defence programme are already familiar to us all. Our own grave concern, too, has already been reflected in the debates in this Assembly.

The economic repercussions of these developments upon our economy during the past year, and in the prospect ahead, are extremely complicated. A year ago we were concerned with ominous signs of recession in shrinking overseas export markets and declining farm prices, in prospects of reduced capital outlay, and in growing numbers of unemployed. As far as the national scene was concerned, much of this sluggishness in the economy had vanished by the late spring. Industrial activity had gathered momentum, and it reacted strongly to the outbreak of hostilities in Korea in June. From then to the end of the year, national indexes of industrial production, wholesale prices, employment and labour income, and the cost of living all moved rapidly upward. The sharp contraction of export trade to overseas markets was more than balanced off by a tremendous increase in the flow of goods to the United States, and with an improvement in the foreign exchange position, the Canadian dollar was unpegged last September. In the overall picture, the gross national product, which measures the value

of current production of goods and services at prevailing prices, reached a record total of \$17.7 billion during the year.

Unfortunately the farm sector of the economy has not kept pace with the general industrial boom. The general wholesale price index rose in December last to 175.7, up more than eighteen points over the corresponding month in 1949. In contrast, the index number of wholesale farm product prices for December was 144.3, up 1.8 points from November, but down 3.5 points from December, 1949. The field products index, which is of particular importance to Saskatchewan, stood at 104.2, up slightly from November, but 24 points below the previous December. For the year as a whole the price index has stood somewhat below 1949, and the resulting squeeze between rising costs and stationary or declining prices has created a difficult situation for many of our farmers.

In the most recent months, of course, the threat of war has strengthened the world need for our foodstuffs. Consequently, despite the continued dollar shortage, the demand for our grain — both within the framework of the International Wheat Agreement and on the open export market — now suggests an improved price outlook for the period ahead. But as the past year's experience demonstrates, the potential gains to Saskatchewan farmers from any improvement in price will never be realized if they are immediately wiped out by a more rapid inflationary advance in domestic operating and living costs. This is the real and continuing plight of the western farmer today, and responsibility for it rests clearly with the Federal Government.

During the 1950-51 crop year, Saskatchewan farmers increased the province's physical output of grains of all kinds by 120 million bushels. Their cash receipts for the calendar year, however, have been far below those of 1949. Several familiar factors contribute to this situation. First, the initial price to producers of No. 1 Northern Wheat, basis in store Fort William-Port Arthur, was lowered from \$1.75 to \$1.40 commencing August 1, 1950. The recently announced 20-cent additional interim payment is welcome news, but its effect will not be reflected in income figures until the end of this year. Second, the severe August frosts sharply reduced the average grade of wheat in the Province so that it is now estimated that only 50 per cent of the crop graded No. 4 or better. To the lower price for the poorer average grade was added the further effect of wider price spreads between grades, particularly between those at the lower end of the scale. Further, adverse weather conditions delayed harvesting and severely curtailed marketing during the latter half of the year. And finally, grain participation and adjustment payments for the year were only a slight fraction of what they had been in 1949.

In contrast to the grain situation, cash income from the marketing of livestock increased in 1950 despite an over-all decline in volume. The strong demand for beef from the United States has been the dynamic factor which has reacted upon the whole price structure in the animal products market. It is expected that current high price levels will be more than maintained in the year ahead and farmers may be expected to increase production in these lines. But as most of the honourable members will be aware, the output of beef cattle or even hogs cannot be increased or decreased at will. The necessary expansion in production can only be achieved when a strong basic industry with stable markets and adequate prices has been solidly established.

The same problem of an unstable market situation raising the continual threat of unmarketable surpluses was raised last spring in regard to a variety of other farm products. Eggs were a striking illustration. These temporary market difficulties were reflected in declines in the physical output of a number of farm products in the province. Here again, toward the end of the year, demands were strengthened and the emphasis now is upon the need for increased output of nearly all foodstuffs and farm products.

The detailed comparative figures on volume and value of production, with your permission, Mr. Speaker, are again being tabled as an appendix. I might, however, summarize the over-all picture in terms of total income and gross value of production. The preliminary estimate of cash income of Saskatchewan farmers for 1950 is now placed at \$405 million, a drop of about 27 per cent below the previous year. This includes cash income actually received from the sale of all farm products. Adjustment payments made under **The Prairie Farm Assistance Act** in drought and frost stricken areas amounted to \$14 million, about the same as in the previous year. However, a very rough estimate of the gross value of our total agricultural output in the 1950-51 crop year, which takes into account the additional income yet to be received, approximates \$690 million, possibly an all time high.

This very high level of output, Mr. Speaker, bears witness to the continuing strong potential of the agricultural resources of this province. It is a potential which, despite the hazards of nature, is capable of producing a huge volume of basic foodstuffs. These are the foods needed now for military purposes. But in the long run, they are even more important in the constructive struggle to win and protect the peace of the world, with freedom from want, and freedom from fear, and with freedom from communist and fascist dictation. This government regards the conservation and development of this potential as a real contribution to that struggle, and as this budget will indicate, our policy is consciously directed toward these ends.

A major portion of the capital investment which takes place in our province necessarily flows into the agricultural industry. Over-all data from the thousands of individual farm operators are lacking, but the continued high level of expenditure on farm equipment is suggestive of the trend. In 1949, the latest year for which figures are now available, Saskatchewan led the country in purchases of agricultural machinery. Sales valued at wholesale prices in Saskatchewan reached \$60 million, an increase of \$13 million over the preceding year.

Increasing investment in farm improvements is also reflected in the sharp jump of loans secured under the Farm Improvements Loans Act. Loans disbursed increased to over \$16 millions in 1949. Similarly, loans outstanding from the Canadian Farm Loan Board increased narrowly, but mortgage indebtedness due to the larger loan companies again showed a substantial decrease as farmers discharged a further \$3 million in mortgages. There may indeed be a tendency for some people to doubt Saskatchewan's future, but I assure honourable members that they are not to be found among our own farm people.

Neither are they to be found, Mr. Speaker, among those who have been awake to the flow of investment into the development of our natural resources. None but the wilfully blind or hopelessly ignorant can deny that the exploration and development of our mineral potential, for instance, is proceeding today at a pace wholly undreamed of less than ten short years ago. During the year 1950, the Dominion Bureau of Statistics estimate of the value of mineral production in the Province climbed to an all time high of more than \$36 million — an increase of 9 per cent over the previous year and yet, to be sure, only a faint inkling of the tremendous development which awaits our province. The most spectacular feature, of course, has been the greatly expanded programme of oil exploration. Output itself reached a new record of one million barrels in 1950. Actual expenditure in development climbed to \$8 million. It is estimated that over 44 million acres of land were covered by various kinds of preliminary surveys and more than 140 exploratory or testing wells went down in search of oil. Plans for 1951 call for an even higher tempo of activity, and we look forward with confidence to the day when the 1950 record output will be dwarfed in comparison.

Attracting almost equal attention has been the rapid development of the metallic mineral resources of the Pre-Cambrian shield in the north. Government assistance for prospecting was continued in the year under review, particularly to stimulate interest in the southern part of the shield and also to aid the further training of native Indians. The programme of geological surveys introduced three years ago was continued and the report of one survey party has indicated the presence of a fourth uranium field. During the past year mining companies spent nearly \$2 million in the search for and the proving up of discoveries of radioactive ores. Three companies are now actively engaged in underground operations and a fourth has announced similar plans for the spring. Uranium development in 1951 will undoubtedly surpass the 1950 level by a considerable margin, and at least two uranium mines will be in a position to announce a mill construction programme.

Along with radioactive minerals, the search for the all-important base metals will be greatly accelerated in Northern Saskatchewan this year. Copper, zinc and nickel will be explored for, especially in the area west of Flin Flon. Plans are now being finalized by some of the country's largest mining concerns to explore more intensively, and to develop known discoveries of base metals. They are being actively aided by this government, for as everyone knows, these are critical materials in time of war, no less than a basic need of peacetime industry.

In other fields the output of coal and industrial minerals, including sodium sulphate, sand and gravel, sodium chloride, clay and clay products and so forth, have registered good gains. The most important new development during the year was the location of a substantial new bed of potash ores in the eastern part of the Province. This new discovery is closer to the surface than the former find in the Unity area. Close and continuous study is being given to feasible methods for the further exploration and development of this resource. The first permit covering 100,000 acres has now been issued, providing for an expenditure of \$235,000 during the next three years, and a minimum investment of \$1,000,000 in plant if commercial production is found feasible. Again it takes on added importance as war conditions threaten possible shortages and the reduction of imports of this strategic material.

It will be of interest to note two major items with regard to public corporations in the industrial minerals field. The first was the decision taken last spring to replace and modernize the clay products plant at Estevan. This has involved the replacement of obsolete equipment and the installation of modern processes to increase the output of high quality structural materials at low unit cost. It is felt that with proper plant and equipment this operation will more than pay its own way. At the same time it will utilize one of our more abundant natural resources and open the door to further development of the ceramic industry in the Province. Further, it provides a necessary material if the construction programme for schools and hospitals, for public institutions and commercial establishments is to go forward. It may, in fact, be converted to the production of brick refractories if defence demands so warrant. The other division of Saskatchewan Minerals, the salt cake plant at Chaplin, has earned substantial dividends for the province in 1950. In the last quarter of the year, market demands grew to huge proportions, due in part to the stimulus of the U.S. defence programme. Despite the barrier of high freight rates, high quality Saskatchewan sodium sulphate is now moving to tidewater on both the east and west coasts, and as far away as Florida. Capacity is now being expanded in order to meet the demands of this wide market area.

In other fields of resource utilization, Mr. Speaker, conservation and long-term management programmes have been continued as government policy. I noted a year ago that the cut of standing commercial timber was being progressively reduced in line with the objective of sustained yield. The depletion of timber was thus brought down from 60,000,000 to 43,000,000 feet in 1949-50 with a consequent decline in value of output. The most interesting development during the year, however, was the increasing close study into the possibilities for pulpwood and pulp production from the province's forests. Each year timber stands in more favourably located provinces are being rapidly depleted. Consequently, the value of our own forest resources is increasing steadily and the possibilities for their economic utilization are being enhanced. Through the Natural Resources Department and the Forest Products Corporation, the government has this matter under constant review, with careful study of changing trends in the volume of wood supplies, in power and chemicals available, in transport problems and economic markets. It will welcome any private investment capital in this field on fair and reasonable terms and assure it of adequate earnings and yet protect the interests of the people of the province.

Commercial fish production during the year was narrowly lower in volume but the value of the catch was well maintained. Fur production moved up during the year with an aggregate value of over \$2 million. The results of earlier conservation measures are now reflected in the increased take of beaver pelts. Adverse weather and low water levels, however, reduced the muskrat catch. The conservation programme has found increasing favour in the north country. Over 3,500 trappers are now taking part and the number of conservation areas has been greatly increased. The government marketing services, handling fur and fish and operating a number of strategically-located trading posts throughout the north, also enjoyed a highly successful year. They are now contributing substantially to the stability of the northern region.

As in previous years the increase in development expenditure in our primary industry has been matched in other directions, particularly through higher levels of investment in the public utilities. Crown Corporations assume a particularly significant responsibility in this area, and through progressive enterprise contribute greatly to the pace of economic

development. In the air, Saskatchewan Government Airways achieved a record year and earned a substantial surplus. Safe and dependable transportation into the far north has helped immeasurably to unlock the resources of that vast and hitherto almost inaccessible region. During 1950 we had seventeen planes on regular scheduled flights. The flow of mail and passengers almost doubled and air freight increased by 29 per cent. The publicly-owned bus lines further consolidated their position in the transport field. They operated over a total of more than three million bus-miles and rendered a particularly timely service during the crippling rail strike last summer. The rate schedule was held unchanged despite the fact that sharply increased costs of operation cut into net earnings.

With regard to rail transport, revenue carloadings declined by a small percentage. Here the major problem facing the province was again the issue of higher freight rates. The abolition of special livestock rates was a particularly serious blow to farmers with plans for increasing the output of animal products. Again the other provinces joined this government, in challenging applications from the railways for still further general rate increases. It is our earnest hope that the report of the Royal Commission on Transportation, due to be issued shortly, will open the way for a genuinely better deal for the Canadian West in this critically important matter of rail transport.

I need but touch lightly at this moment upon the provincial corporations in electric power and telephones. During 1950, the Telephone corporation again handled a record volume of business and net earnings advanced to the highest level in history without any change in rates. This is, of course, in marked contrast to the larger private telephone systems of the country, such as the Bell Telephone and B.C. Telephone which secured substantial rate increases during the year. A new record of over 7,600 new connections installed was established by our system, and the list of those waiting for service was thus substantially reduced.

In electric power, the total output of central electric stations of the province, excluding northern hydro installations, rose to 397 million kilowatt hours. This indicated an increase in over-all provincial consumption of 12 per cent, over the previous year. Significantly, however, the records of the Saskatchewan Power Corporation itself indicate an increase in demand upon the provincial power system of over 20 per cent, in the past year. The number of customers rose by more than five thousand. Of these, two thousand were additional farm customers connected under our expanding rural electrification programme. New generating capacity is being installed at key stations and further progress achieved in the projected province-wide grid of high tension transmission lines. The expansion of this programme so necessary to the overall development of the province, and yet initiated only six short years ago, represents a large capital commitment in the period immediately ahead.

During the year, detailed studies of the growth of power consumption and the organization of generating and transmission facilities to meet the expected demand were undertaken, and the outlines of a future programme mapped. This session, too, measures will be proposed to facilitate the extension of government assistance under the rural electrification programs. Our long-term programme is aimed at bringing the benefits of

electric power to thousands upon thousand of our farm homes. I may say, too, that it envisages a closely-integrated provincial power system based upon major steam plants and the ultimate utilization of hydro potential both at the Fort a la Corne site and the future South Saskatchewan dam. With regard to this latter, we have given the federal government a firm assurance of our desire to co-operate fully in the development of both the power potential and the half-a-million acre irrigation proposal. I might add, that we do not expect to have to follow the lead of the Province of Quebec or the Province of Manitoba with any power expropriation proceedings.

Turning now to secondary industry, for which the projected irrigation and power development of the South Saskatchewan has particular significance, — I note that the growth of manufacturing has continued at an encouraging rate. The most recent estimate — that for 1949 — indicates that the gross value of output from the vegetable and animal product industries, from textiles, wood and paper, iron and non-metallic minerals, chemicals and so forth, reached the order of \$240 million. Although the figure is not large in comparison with many other provinces, it represents an increase of 35 per cent over the 1944 level. The people of this province can look forward to steady progress in the period ahead. A positive step was taken by the government during the past year with the establishment of a central Industrial Development Office, charged with the direct responsibility of encouraging the establishment of new industry in the province. It will co-ordinate studies and be assisted by the several agencies of the government whose work can contribute to the solution of the many complicated problems involved. In particular, at this moment, we believe that some part of the nation's defence expenditure, under existing circumstances, should properly be channelled into the establishment of defence industry in this province.

Mr. Speaker, it should scarcely be necessary for me to emphasize once again that the economic development of our province has been proceeding under three forms of organization, public, private and co-operative. Data for the period under review indicate that this three-fold participation is being maintained. A record number of new companies was capitalized, and a large number of outside corporations was added to the register to carry on business in the province. Co-operative association increased their assets, and boosted their volume of business to a record of \$282 million. The turnover of business transacted by the government corporations rose to \$27 million. This is a small sum by comparison but as I have stressed before, the publicly-owned enterprises play a role which cannot be measured only in terms of dollars and cents.

I think a further striking illustration of this fact is evident in the operations and influence of the Government Insurance Office. It is interesting to note the very wide publicity campaign given to the recent report issued by the Legislative Research Committee from North Dakota, and the concerted attempt made to smear Saskatchewan's automobile accident insurance plan on the basis of that report. It is suggestive to say the least, that detailed stories were transmitted across country-wide press wires even before copies of the report were made available to us in Saskatchewan. And it is not unexpected that little publicity was given to the very significant conclusion that costs under a statewide insurance plan could only be matched by the "least expensive private insurance" currently

being written, and that if private enterprise could not do the job, "the State" and I quote "might be compelled to seek other means to assure its citizens reasonable insurance rates."

I feel, Mr. Speaker, that the people of Saskatchewan stand behind their own insurance plan and their own insurance business. The service it is rendering and the increasing business it is attracting speak volumes for that fact. In less than five years the separate automobile accident insurance fund has paid out \$1,577,000 in personal injury insurance to 8,844 persons. Since April, 1946, total benefits of \$6 million have been paid to 33,000 claimants. The reserve fund, built up and set aside purely for this plan, stands at \$833,000 enabling premium rates to remain the same despite increasing costs of vehicle and repair parts. The principle here is solely one of maximum protection at actual cost.

In the general insurance business, 1950 was a record year for the office in every respect. Assets now exceed \$4 million, and record surplus earnings of \$242,000 will be turned over to the Government to come back to our people in public services. There is, of course, no estimate of the savings accruing to the province through the reduction of rates by private companies enforced through the competition of Government Insurance. But some measure of this social role of a public enterprise can quickly be gained by comparison of the rates in Saskatchewan with those across the country generally. Here again, despite the loud protestations, the facts surely speak for themselves.

Even apart from this kind of social contribution by the public enterprises, it has now been demonstrated that they can be operated to earn substantial dividends for their shareholders, the people of this province. Only two suffered net losses in the year just closed, and earnings in the aggregate reached three and three-quarter million dollars. This represents an increase in the rate of return upon advances from the provincial treasury from 7.8 per cent, in 1949 to 8.8 per cent, in 1950.

Despite the serious decline in farm cash income, to which I have already referred, the tempo of overall business activities during the year, as measured by cheques cashed in clearing centres, rose narrowly to a new high of \$2.54 billion. Similarly, retail sales were well maintained in 1950, the estimate rising slightly to \$517 million. In large part activity was stimulated by the flow of capital investment, not only into the agricultural industry, but also into the non-farm sectors, including primary industry, utilities, manufacturing and construction. The preliminary forecast for capital and repair expenditure in the province in 1950, as measured by the Dominion Bureau of Statistics, reached a record high of \$282 million, up from \$265 million in the previous year. Current surveys indicate that capital expenditure actually realized in 1950 exceeded \$300 million. Unless the exigencies of the war situation enforce a widespread curtailment, prospects for capital outlay in the year ahead are equally good. The announcement that Ford Motor Company is establishing a million dollar distribution plant in the Capital City is an encouraging sign. All these facts, I suggest, Mr. Speaker, surely give the lie to those who, for narrow, petty purposes indeed, seek to undermine confidence in the province with shouts that private capital is being driven out of Saskatchewan.

During the past year, fiscal relations between the province and municipalities on the one hand, and the province and the Dominion on the other have been receiving further close attention. With respect to the former, it now appears that the overall financial position of the municipalities has been improved. As the Annual Report of the Department of Municipal Affairs indicates, a larger number of municipalities recorded surpluses at the close of their financial year. The recommendations of the Britnell Committee on municipal finance have already been discussed in this Chamber. Attention, of course, has been concentrated upon the specific proposals. But I suggest, Mr. Speaker, that every member of this Assembly should also apply himself to the very detailed account given in that report of the extensive aid already provided to the municipalities. The measures taken by this government to increase actual grants and direct payments and to relieve the municipalities of many heavy fiscal burdens are commended fully by the Committee. Further, the government has already indicated its intention of implementing as many of the recommendations as possible over the period of time actually proposed in the report.

We had expected that discussions at the Federal-Provincial Conference last December would have cleared the way for us to do much more. This Government, and a number of the other provinces, had hoped for discussions in those meetings which would range over the whole field of the "Green Book Proposals" advanced at the 1945 Conference on Reconstruction. In particular, we had hoped for the much-needed re-examination of the financial resources and burdens of each of the provinces, and the recognition of the principle of fiscal need. This was the principle so powerfully urged and fully documented by the Rowell-Sirois Commission. We contended then, as we have always contended, that that principle is still the only adequate financial basis for a satisfactory federal-provincial-municipal structure in Canada. Without it we cannot hope to see established the minimum national standards of social security, of educational opportunity and of public services, which the great potential productivity of our nation fully warrant.

I had hoped to have a thorough consideration of a comprehensive social security programme, including medical and health insurance, adequate welfare standards for the aged and physically handicapped, broader unemployment insurance and income protection for our farmers. And we had prepared extensive outlines of capital investment programmes, including many projects designed to stabilize and increase the physical output of our provincial economy. All of this, we suggested, was all the more necessary if we were to have in Canada an effective mobilization of the people, whether for war or for peace.

In all of these expectations, I need hardly relate, we were sadly disappointed. The federal government took a very firm view that greatly increased defence expenditure prevented it from any commitment, except two: these were a renewed tax rental agreement and a programme of old age security and assistance. It agreed also to the request from almost all of the provinces for a constitutional amendment which will enable them to levy a retail turnover tax. This latter of course is scarcely a real concession to the provinces. Its chief value to us will be to improve the efficiency and reduce the administration costs of sales tax collections.

With respect to old age security, the federal plan calls for universal pensions of \$40 per month at age seventy, with costs to be borne by the national government. In addition, old age assistance on a means test basis is to be granted at age 65, on a co-operative sharing arrangement between federal and provincial governments. While we welcome this new proposal, it should be noted that if we continue our present programme of medical benefits and supplementary payments, it will actually increase the financial burden upon the province.

Honourable Members will probably be interested in the terms of renewal for the tax rental agreement as advanced at the Conference. These were very simple. The new proposal covers the five-year term 1952 to 1957. Two options were presented but it is clear that the second of these was offered only as an encouragement to the Province of Ontario to enter an agreement. For the remaining nine provinces the new annual guarantee is the minimum as established under the 1947 agreement adjusted to a new level. This adjustment takes account of changes in population between 1942 and 1948, and increases in the gross national product per capita between the same years. This formula has unfortunate effects for Saskatchewan because the very sharp decline in population which took place between the census of 1941 and 1946 had not been made up by the year 1948. Consequently, the population adjustment works seriously against us. Although the guaranteed minimum under the new offer is higher at \$19,831,000, the percentage advance is not nearly as large as for other provinces. Thus, the increase for Saskatchewan is 29.7 per cent, while that for other provinces begins with 39.3 per cent, for Manitoba ranging upward to 66.8 per cent, for British Columbia.

As before, in determining the actual payments for each year of the agreement, the guaranteed minimum is adjusted for changes in population and gross national product per capita subsequent to 1948. Some technical changes have been introduced into this escalator clause. These made the payments more responsive to current economic changes, but eliminate the direct influence of government policy with regard to indirect taxes. Under the formula, the estimate of per capita payments actually to be received by Saskatchewan places this province third from the bottom of the list, just above the two rich central provinces but below British Columbia, Alberta and Manitoba, and far behind the Maritime provinces.

r

This, I suggest, is a strange distortion of the principle of fiscal need. It should be borne in mind if any comparisons are attempted, whether with previous years or with other provinces. Were we to receive a sum more proportionate to the fiscal needs of this province, — needs stemming from the high cost of services for our sparse population and from the disabilities imposed upon economy by national policies, — we might then be in a position to assist our municipalities still further, or, in the alternative, to budget for desirable surpluses.

The Public Accounts for the fiscal year ending March 31, 1950, have been tabled. These show total revenues of \$52,313,301, and expenditures of \$52,059,105 leaving a surplus of \$254,196. Only \$4,000,000 of the liquor profits was used to make up the surplus. Had we used all these profits, as is done in other provinces, our surplus for the year would be shown as \$5,366,653.

During the past three years the province has had surpluses of \$2,746,953, but if we add the remaining liquor profits amounting to \$12,578,000, total surplus in the three year period would amount in all to \$15,325,000, an average of over \$5,000,000 annually.

During the current year, the inflationary conditions of the past several years have continued at a greatly accelerated rate. Since January, the cost-of-living index has risen from 161 to 172.5, an increase of 11 1/2 points compared with an increase of 1 1/2 points in 1949. This has resulted in a further reduction in the purchasing power of the dollar, which has been reflected in higher costs for the maintenance of our institutions, and for the cost-of-living bonus being paid our civil servants. This has also been particularly noticeable in our hospitals, and together with the increased number of patient days has resulted in greatly increased hospital costs. To this extra expenditure you will be asked to approve a supplementary vote of \$2,000,000 for the hospitalization plan. Other supplementary estimates of \$497,021 on revenue account were tabled this afternoon for your consideration.

Revenues for the most part have continued at a reasonably high level. Public revenue tax and gasoline tax collections are approximately the same as those of last year. Motor license fees, the Dominion subsidy and the Education and Hospitalization Tax revenues to date are higher than anticipated. The present indications are that we shall show a fairly substantial surplus again.

I should like to turn now to the budget for next fiscal year. The details of estimated revenues and expenditures have been tabled, and show as estimated surplus of \$243,960. This surplus is made up as follows:

Estimated Receipts	\$58,221,810
Estimated Expenditures	<u>\$57,977,850</u>
Estimated Surplus	<u><u>\$243,960</u></u>

Estimated expenditures exceed those of the current year by \$2,957,090. The increase is due entirely to the increased cost of living. For in the terms of the January, 1950, cost-of-living index next year's budget amounts to only \$54,100,000- less than our last budget.

I stated last year that revenues were not expected to increase materially, and, in terms of the 1950 value of the dollar, they have not done so. Expenditure estimates for 1951-52 have consequently been held to a level which this province can fully afford. Indeed, as I have just indicated, the estimate for 1951-52, if put in terms of the 1950 value of the dollar, are lower than the 1950-51 estimates. The Saskatchewan Government, like all Saskatchewan families, has been caught by the spiralling cost-of-living. We are spending, on the face of it, more dollars, but are not getting as much for each dollar spent.

On the other hand, we have not kept, nor do we intend to keep, government expenditures down to the point where the well-being of our people is jeopardized. It has always been this government's belief that it has a responsibility for a healthy and expanding economy. The first place to start, obviously is to provide for the health and well-being of the people of

Saskatchewan. This we quite consciously set out to do in our first term of office. By 1948 we were spending \$23 per capita on health and welfare, as opposed to \$12 per capita in 1944. By 1948 we were spending over \$9 per capita on public education, as opposed to the \$5 per capita spent by the previous administration.

But always, I should like to repeat, while doing our utmost to foster the health, well-being and productivity of Saskatchewan citizens, we have done so within the limits of our resources. Never has this government incurred a deficit; indeed our financial health is indicated by our excellent credit position today.

This year's budget, then, reflects the "humanity first" policies undertaken during our past six years in office. Expenditures on health will be roughly 28 per cent of the total budget; expenditures on welfare approximately 11 per cent; and expenditures on education will constitute the same 16 per cent that they did in the last two or three years. Expenditures for the protection of persons and property will take up approximately 3 per cent of our receipts; and expenditures for transportation and communication approximately 11 per cent. These figures, reflecting as they do our overall policy for 1951-52, are roughly the same as those for the last two years. The really significant policy changes are to be found in the estimates of the Departments of Agriculture and Natural Resources and in our Capital Budget. For it is this government's announced intention, having made tremendous strides during its first term of office in its education, health, welfare and rehabilitation programmes, to devote the second term to increasing the utilization of our tremendous agricultural, mineral, forest and industrial resources.

But before turning to this aspect of next year's budget, I should like to review briefly the dollar increases in the revenue budget. In the field of health, whereby the way Ontario spent in 1949 only 11 per cent of its budget as opposed to our 28 per cent, certain increases in expenditure are proposed. The Hospital Plan is to receive roughly \$1,500,000 more to assist its operation. I explained a year ago that increased hospital costs and a higher utilization of hospital beds accounts for the hospital deficit.

I also explained that this government is reluctant to increase the hospital tax. Increasing prices for almost all necessary commodities continue to push up hospital operating costs. It should be noted, however, that we are taking every possible measure to ensure that these costs are held as low as possible. The budget for the Hospital Administration and Standards Division has been increased from \$88,000 to \$109,000 for next fiscal year. This is the Division which establishes hospital standards and assists the hospitals in reducing operating costs; consequently every dollar spent by this Division can materially assist in reducing the Hospital Plan deficit.

Provision is also made in the Department of Health budget for the establishment of two more Health Regions. Here is one of the most significant, forward-looking health programmes on the continent; one which is attracting wide public attention. Through local initiative, municipalities can band together for the purpose of providing their people with superior preventative health programmes, and with a partial or complete health insurance programme. This government is ready and anxious to assist in the formation of Health Regions, as evidenced by a 19 per cent increase in the

budget for Regional Health Services.

I should point, too, to the increase of \$15,470 in the budget for the Air Ambulance Service. This is to me provide for the establishment of a second base of operations — in Saskatoon. All members will welcome this improvement in our Air Ambulance Service.

In the Department of Social Welfare \$129,490 is being provided for the opening of new Home for the Aged in Saskatoon. The need for such a home has been evident to the government for some time, and we are happy to be able to open this home next fiscal year. I should like to point out that every institution of this type does much to relieve over-crowding in hospitals, by providing a home for senior citizens who are unable to care for themselves, but who are not ill enough to warrant hospital care.

I should also like to announce that the government is proposing to close the Girls' Hostel in Regina, an action made possible by our foster-home programme. The money saved will be used by the Child Welfare Branch to improve its services to all the under-privileged children in Saskatchewan.

In the field of education, budgetary increases reflect an improvement in certain education programmes. An increase of \$14,500 in the budget of Normal Schools is provided for; \$25,000 more will be paid into the Teachers' Superannuation Fund; and \$21,000 more is being made available for the administration of education in Northern Saskatchewan. There is also a 21 per cent increase in the budget for Regional Libraries, the pilot project in Prince Albert Region having already significantly improved library facilities in that area. This is a programme which has attracted the attention in library circles throughout Canada and the United States — once again giving evidence that Saskatchewan is the pioneer province in education programmes. Significant too is the extension in the Apprenticeship programme, designed to provide improved training in the skilled crafts for our young people. We will be spending next year a gross of \$124,500 in the Apprenticeship Branch, as opposed to \$87,700 this current year.

Having reviewed that aspect of this budget which deals with human resources, let me turn to the measures which are designed to increase and improve the utilization of our physical resources. I have already referred, Mr. Speaker, to the very satisfying expansion in our economy over the past year. Much of that growth is due to the confidence of private and co-operative capital both in the resources of our province, and in the effectiveness of this government's operations.

The capital budget for 1951-52 is designed to give further stimulus to this expansion. It provides for a \$2,700,000 capital expenditure in our telephone system. Power facilities, so necessary to both industrial and agricultural development, are growing by leaps and bounds. Next year alone the Saskatchewan Power Corporation will undertake a \$7,000,000 capital expansion programme — as part of this government's effort to catch up on the omissions of previous administrations. Capital expansion in other crown industries, and financed out of next year's capital budget, will amount to over \$500,000.

These are the signs of an expanding economy — a growth in both private and government investment capital, a government which enjoys a good credit position, and an expansion in those industries such as power and communication, which are essential to both agricultural and industrial expansion.

Adequate transportation facilities are another important factor in the growth of the economy. This government has done more than any previous administration to improve the provincial highway network. Next fiscal year we will be spending \$2,500,000 out of Capital Account and approximately \$2,500,000 out of Revenue Account for highway construction. This expenditure on our highway system is designed, of course, to improve the heavy traffic arteries. The Provincial highways constitute a basic asset of Saskatchewan's transportation industry — they are used by agriculture, trade and commerce, and primary, and manufacturing industry alike. Our secondary highways are of primary advantage to our farmers — being used principally for the marketing of agricultural commodities, and to facilitate local trade. Finally, the improved highway network has done much to increase tourist traffic in this province. Recent figures indicate that 11 per cent more tourists visited Saskatchewan in 1950 than in 1949.

I should like to turn now, Mr. Speaker, to the measures we shall take next year for the development of our agricultural industry. Next year's expenditure on revenue account will be \$2,600,000, the same as this current year, but more than five times the sum spent in 1943-44.

In addition to these expenditures on revenue account we will spend \$750,000 on agricultural development from capital account. The basic philosophy of this government is that farmers should be assisted in obtaining farm units which are more economic. To do this, the Department of Agriculture provides, through its highly efficient Agricultural Representative Service, technical advice to farmers on how to increase or diversify agricultural production. In addition to this service, the Department is currently employed in developing underutilized areas in local farming communities — areas which are owned by the Crown or by municipalities. To develop these areas is to provide to the local community feed and fodder resources which are so seriously lacking. To develop these areas is to increase the agricultural production of each community.

I should like, Mr. Speaker, to outline for members some of the measures we are taking today which are designed to help keep many, many farmers off relief rolls tomorrow — if drought and depression should strike us again. These measures, to which I refer, are largely designed to increase feed and fodder production, which will in turn permit us to diversify our agricultural production through increasing the livestock population. For let it be remembered that only 13 per cent of our total occupied farm land is suitable for a continuous grain crop type of farming, and 42 per cent suitable for grain growing if seeded down periodically to hay or grass.

Next year approximately \$235,000 will be spent on reclaiming abandoned land and developing underutilized land. To do this, the Department of Agriculture will undertake irrigation projects, community pastures and the regrassing of abandoned lands. The government will also suspend some \$175,000 on drainage projects — draining lands in both the older and more recently settled areas as a further guarantee to farm security.

In addition to these crown-land projects, direct provincial assistance will be made available to associations of farmers to help them bring water to privately-owned lands. In conjunction with and working with the farmers in each Agricultural District, the Province will spend approximately \$340,000 on this programme in 1951-52.

The same approach is being taken in our "Earned Assistance Programme". Groups of farmers band together to help themselves by increasing the production of underutilized lands. The Provincial Government assists these groups on projects which they are unable to undertake by themselves. \$150,000 will be spent next year to assist in reclamation work, the creation of feed and fodder banks, local drainage work and small irrigation projects.

I should refer, too, to our policy of making new lands available for agricultural use — limited though these new lands may be. In 1951-52 we will spend over \$500,000 clearing, breaking and draining land for new farm units.

I said before, Mr. Speaker, that the great agricultural potential of our province can play a significant role in the critical world struggle for peace, with political freedom and economic justice. The programmes I have just reviewed reflect the conscious plans of this government to protect, conserve and increase that potential.

Turning now to the development of other resources, I need only to reiterate the tremendous progress made last year to demonstrate the effectiveness of this government's programmes. I confidently expect that the year ahead will be an even healthier expansion of our economy. We will spend nearly \$56,000,000 toward the completion of our forest inventory — an inventory which will enable us to advise commercial interests enquiring as to Saskatchewan's potentialities. We will spend nearly \$17,000 of our forest management programme — a programme which is designed to ensure sustained forest yield rather than uneconomic depletion.

The Department of Natural Resources will also spend \$60,650 on developmental research on industrial minerals, and \$17,000 will be spent on the Saskatchewan Geological Survey in 1951-52. Prospectors will receive nearly \$10,000 assistance in their work of opening up the north, and the same sum will be spent on mining roads.

Other promotional efforts and general assistance programmes are to be found throughout the Natural Resources budget — for example nearly \$30,000 on road construction and maintenance in the north — \$10,000 on the Northern Communication System, so essential to general resource development; and various sums for geological mapping, aerial photography, and so on. I repeat, Mr. Speaker, that these programmes have shown results — results which were not forthcoming before this government came to office.

I should like to turn, now, Mr. Speaker, to a review of our borrowings and debt position. During the present fiscal year three debenture issues were sold, amounting in all to \$20,000,000.

The first issue of \$5,000,000, dated May 1, maturing in 1968 and bearing interest at 31 per cent was sold by the syndicate at par. This issue was over-subscribed and an additional \$3,000,000 was sold at the same price.

In August, arrangements were completed to call the \$3,000,000, 4 per cent issue, maturing in 1953, and the \$5,000,000, 4 per cent issue maturing in 1954. These issues were callable at par. From their sinking funds and from consolidated funds we paid \$2,000,000. For refunding the balance, the sum of \$6,000,000 was borrowed in U.S. funds through private sources. Debentures were issued for 20 years at an interest rate of 3 1/8 per cent, and were sold by the syndicate at a price of \$99.50 to yield 3 1/8 per cent. These debentures are callable at any time at par on 30 days notice. The first \$4,000,000 was borrowed while the premium of 10 per cent on American funds was still in effect, but before the transfer of the next \$2,000,000 had taken place, the American dollar had been freed on the Canadian market and the premium had declined to 5 per cent. We have placed in a reserve account the premium of some \$500,000, from which we shall pay the premium on any interest payments due.

In January arrangements were made to borrow another \$3,000,000 to complete the present year's capital programme. This sum was borrowed privately, also in the United States. Debentures maturing in 1966 were issued with a coupon rate of 3 1/8 per cent, and were sold at 99.00 to yield 3.20 per cent. These bonds are callable after four years at a price of 101 and after nine years at 100.50. This issue was so satisfactorily placed that further arrangements were made to extend the amount of this loan to \$6,000,000.

Saskatchewan citizens should all feel a very keen sense of pride in our ability to finance on such favourable terms, especially at a time when the whole bond market has been undergoing very drastic change. In the past year, the price of Dominion Victory Bonds has dropped from 103 to 100.12 — a drop of 2 7/8 points. This resulted in increasing the interest rate from 2.70 to 2.99 per cent. It was only natural to expect that this would adversely affect the price of provincial bonds, and raise the rate of interest on any further borrowings. The situation has become so serious that several provinces have delayed their borrowing program, rather than pay the higher interest rates. Earlier this month one province brought out a 20-year issue at par with a 4 per cent coupon.

I feel confident that Saskatchewan will save a considerable amount through having borrowed \$12,000,000 on the American market during the past year. First of all, there is a substantial saving in the interest rate — perhaps 1/2 per cent, which amounts to \$60,000 annually. Secondly, there is the profit or premium on American funds, amounting to \$800,000. This, of course, cannot be determined definitely until later. With the tremendous development taking place in Canada there seems no reason why we cannot confidently look forward in the near future to the day where the value of the Canadian dollar will not only equal but exceed that of the U.S.A. I am confident that long before the date of maturity of the bonds issued, the present position will be reversed, and we shall not only have the \$800,000 as an actual rather than a book profit, but will be repaying the loan with American dollars purchased at par or at a discount.

Last year I placed on the record during my budget address the prices of bonds in different provinces from 1942 onwards. A study of that table shows that in 1945 the interest rates on Saskatchewan bonds were 2 per cent above those of any other province in Canada. By 1948 the spread

had dropped to 1 per cent. Today, our bonds are trading at a lower rate of interest than those of some of the other Canadian provinces, and are in no case 1/4 of 1 per cent above any other province. The price of every provincial bond, except Saskatchewan's, is lower than a year ago.

When I delivered my first budget address in 1945 I said, "Saskatchewan will always scrupulously honour its fair and just obligations; it will meticulously safeguard the savings of those who invest in the resources of the province; it will act in accordance with justice at all times." That policy has been followed. No government, in any province of Canada since Confederation, has done more to meet its obligations and remove the burden of debt from its people. This has been done by gradually getting the province in a pay-as-we-go position. While it is true that the province has borrowed money in recent years, it has been largely for refunding and for self-liquidating projects. At the same time the dead-weight debt has been and is being paid off at an unprecedented rates.

Honourable members will be glad to know that we are no longer indebted to the banks. At the end of the last fiscal year we paid off the last \$900,000 and were, for the first time since the province was formed, free of debt to the banks. The Treasury Bills' position continues to improve. I would like to remind the assembly that in 1944 the Treasury Bills' statement totalled \$107,500,000, including 9,765,000 owing to the banks for many miscellaneous purposes as well as \$16,468,000 owing to them for 1938 seed grain advances. I am sure that every member in the House will be delighted to learn that our total Treasury Bill indebtedness is now down from \$107,500,000 to \$37,351,000, all of which is payable to the Federal Government, over a period of 26 years, and on over \$30,000,000 of which there is no interest payable.

Notwithstanding the fact that during the year we borrowed \$20,000,000, I am pleased to report that our debt position has improved again this year. Actually, the net debt shows a small increase of \$29,860 from \$147,913,814 to \$147,943,674. However, during the year, there has been a further reduction in average interest rates from 4.20 per cent to 4.05 per cent. Moreover, because of an increase in population from 858,000 to 874,000 the result is a reduction in our per capita debt from \$172 to \$169.

	April 30, 1944	Dec. 31, 1949	Dec. 31, 1950
Bonded Debt	\$125,244,954	\$127,426,428	\$128,818,440
Treasury Bills	92,910,900	42,481,155	37,851,261
Contingent Liabilities	20,016,607	1,326,793	1,379,447
GROSS DEBT	\$238,172,461	\$171,234,376	\$168,049,148
Less Sinking Funds	\$23,919,341	23,320,562	20,105,474
NET DEBT	\$214,253,120	\$147,913,814	\$147,943,674
Per Capita	\$254	\$172	\$169

The improvement in our debt position is reflected in the estimates tabled today. The amount required for debt changes is down from \$8,590,490 to \$8,322,780, a reduction of \$267,710. This reflects the lower interest rates at which money is now being borrowed, the improved Treasury Bills' position and the replacement of dead-weight debt by self-liquidating debts, such as power and telephones.

The net debt of the province has been reduced by over \$66,000,000 since 1944, during a time when capital expenditures of over \$62,000,000 have been made. As I indicated last year, not only has the quantity of the debt improved, but so also has its quality. The following table of gross debt shows this:

	April 30, 1944	Dec 31, 1950
Self-liquidating Debt	\$50,705,461	\$57,113,509
Dead-weight Debt	187,467,000	110,935,639
	<hr/> \$238,172,461	<hr/> \$168,049,148

From this table, it can be seen that while the total gross debt has been reduced by \$70,000,000 the dead-weight debt has actually been reduced \$76,532,000.

It should also be pointed out that the reduction in the amount required for debt charges has been accomplished in spite of an increase from \$997,210 to \$1,1718,200 in the sinking fund instalments required. On all new bond issues in the past year provision has been made for a 3 per cent sinking fund. This is in accordance with the policy announced last year, and will result in the province having sufficient revenue in the various sinking funds to repay the major part of the debenture issue on maturity, rather than having to refund the entire amount as has been the case in past years. This new policy has been greatly appreciated by the investors and has undoubtedly helped to create a demand for Saskatchewan bonds of recent issue.

From what has been said already, it can be seen that our anticipated revenues next year must be somewhat higher than were expected this year, in order that we may balance the budget. I am happy to announce that this can be done within the framework of our present taxation structure, and that there will be no new taxes or increases in any of the existing taxes. I feel confident that our expanding economy will enable us to carry out the progressive programme envisaged by this budget. There are those in our midst who advocate a reduction in government spending at this time. This can only result in holding back the economic development which is now taking place in Saskatchewan, or in reducing our social welfare, health and education programmes. The government is not prepared to agree to either of these alternatives.

Rather, we believe that present conditions demand that we should make adequate provision for the development of our resources in order that our economic structure may function to its utmost capacity. We believe, too, that in a social democracy the welfare of the people is most important. And so the present budget makes provision for both of these principal objectives. Because of this, I feel confident that it will meet with the approval of the people of this province, whose servants we are. Mr. Speaker, I move that you do now leave the Chair.