

LEGISLATIVE ASSEMBLY OF SASKATCHEWAN
Fifth Session — Eleventh Legislature
14th Day

Wednesday, February 27, 1952.

The House met at three o'clock.

BUDGET ADDRESS

Hon. C.M. Fines (Provincial Treasurer): — Mr. Speaker, in rising today with the time-honoured budget, I do so with my mixed emotions. I am sure that the entire Assembly shares with me the sense of deepest sorrow and regret — and yet shares with me too the impression of historical moment — that attaches to the wording of today's motion. For the first time since our province was established 47 years ago, we are assembled to grant supply to Her Majesty, the Queen. We do so, conscious of the tradition that in centuries past the star of Britain has never shone more brightly than with a Queen upon the throne. We do so, significantly for Saskatchewan, at just that moment when all the signs and portents foretell that this, our own province, stands upon the threshold of the greatest era of expansion and development in her history.

I believe, Mr. Speaker, that all of us are seized of these feelings. I believe, too, that all of us will recall the sombre circumstances that attended the annual budget message one year ago. The Korean "incident" had suddenly erupted into a major military campaign, and the peace of the world once again hung in a most precarious balance. It was difficult indeed to look ahead with any degree of certainty over the months to follow. Happily our worst fears were allayed in part; and despite many localized conflicts, the year just ended has closed on a less ominous note. Yet we all know that a very great part of the world today is committed to a heavy program of re-armament and military preparedness, — a program from which there seems to be no escape and for which no early end is in sight. Nevertheless, in the absence of an all-out conflict we join with people all over the world in the hope that we yet shall be spared the unknown horror of a third world war.

THE NATIONAL ECONOMY

The continuing international tension has, of course, exercised an all-pervading influence upon the course of the national economy over the past year. In retrospect, however, it is difficult to trace that influence clearly. Many other factors — including the investment boom, inflation, business and consumer psychology, monetary and fiscal controls — have all contributed to the exceptionally complicated economic picture for the year 1951. Statistically it has been another year of record production, record employment, and record expansion for the Canadian economy. The gross national product is now estimated at \$21,217 billions, an increase of \$3 billions over 1950. Though higher prices account for the greater part of

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the increase, the physical quantity of the national output is estimated at about 6 per cent larger than in 1950, and 16 per cent greater than the first post-war year of 1945. National employment was also greater than in any previous year; and the record expenditure of \$4.6 billions on capital s has been described as perhaps the most striking economic feature of 1951.

Nevertheless, as previously mentioned, the economic forces underlying these overall indicators have been extraordinarily diverse; and as a consequence the prospect over the budgetary period ahead is extremely complicated. Several contracting influences, including increased consumer resistance, varied federal government policies and a levelling-off of demand, appear to be at work. On the other hand, the high level of defence expenditure, both at home and in the United States, together with continuing pressure for capital development in our natural resources, are strong expansive forces. It would appear that present prospects for the national economy are for a continued high level of economic activity, with the possibility of a further inflationary price rise developing before the end of the year.

EXPANSION IN SASKATCHEWAN

Turning now, as is the custom, to a more detailed to a more detailed review of the economic situation in our own province, the most striking impression is that Saskatchewan has more than held its own in terms of expansion — not only during the past year but indeed throughout the whole of the post-war period. The most recent official estimate of the gross value of production for the province is \$950 million in 1949. A small decline will probably be revealed for 1950. But considerable gains in component figures, such as agriculture, mining, forestry, electric power and so forth, have already been recorded for 1951. These gains suggest that the total production for the year just ended will exceed \$1 billion by a very substantial margin. This record total climaxes the notable advance in output that has been underway in this province for the past several years. In 1945, my first "human budget" to this House, the gross value of our production was less than \$600 million. In the intervening years it has grown by leaps and spurts and to a figure perhaps 80 per cent greater in dollar terms, and more than kept pace with the national increase in physical terms.

This expansion in volume and value of output is reflected in other overall measures of economic significance. In 1945, personal income per capita in this Province, based on figures from the Dominion Bureau of Statistics, was estimated at \$639. This was only 85 per cent of the Canadian average. By 1949 income from the Province had risen per person to \$995, an average 5 per cent greater then the comparable national measure. Production gains in Saskatchewan in 1951 as already noted, will undoubtedly raise per capita income considerably higher than the 1949 level; and so far as can be estimated at this point there is no doubt that we shall maintain our position relative to the country as a whole.

ECONOMIC RECOVERY

We have, in short, Mr. Speaker, travelled a long, long road since the years of drought and depression when personal income in Saskatchewan averaged less then \$200 per capita, and we were looked upon as the "poor relation" of all Canada. We have cause for pride and for gratitude in figures such as these. They record, in my view, the plain, unvarnished facts of the most dramatic story of economic recovery in Canadian history.

The unprecedented income figures for 1951 led to new high levels of general business activity and retail trade throughout the Province. Cheques cashed in clearing centres rose last year to \$2.76 billion, a 60 per cent advance over 1945. Likewise retail trade, although fluctuating severely under such influences as credit restraints and consumer resistance, rose during the past year to a new high record of \$616 million. This increase of 12 per cent over that of 1950 was the greatest advance of any province in Canada.

Saskatchewan, moreover, has shared strikingly in the nation's capital development boom. Federal Government reports record a total public and private investment in this Province in 1948 of \$241 million. By 1950, this rate of investment had risen to a record \$329 million; and in 1951, despite brakes applied by Federal fiscal policy, investment intentions surveyed climbed still higher to close to \$350 million. Altogether, since 1948 to date, these reports indicate that capital renewal and expansion for the Province has approximated a total of more than one-quarter billion dollars.

A very substantial part of this investment has properly been devoted to improvement of the all-important agricultural basis of our economy. Expanding farm mechanization is reflected in estimated purchases of farm machinery and equipment in 1951 of more than \$74 million, 20 per cent higher than 1950. Federal farm improvement loans rose to more than \$22 millions in 1950, a 40 per cent increase over the previous year. At the same time our farmers paid off mortgage indebtedness of more than \$4 million, amounts owing to major loan companies declining to \$17 million, a percentage reduction since 1937 of over 30 per cent.

FARM PRODUCTION AND INCOME

The stimulus behind this basic strengthening of our farm structure has been the relatively good picture of production and income experienced throughout the past several years. Given any reasonable break from the weather, any reasonable assurance of markets, and any reasonable stability of operating costs — given these things — our farmers have proven again and again the continuing value of our great agricultural resources. The year just ended has provided a notable demonstration. Wheat production during the current crop year reached a new peak of 329 million bushels, surpassing the previous all-time record of 1928 by 8 million bushels, and exceeding the 1950 output by 70 million bushels. Coarse grains and flax recorded similar increases over the previous year, and the total value of the grain crop, based on initial prices only, is estimated at better than \$600 million.

As against this production record, a combination of difficulties and disappointments have been experienced during the crop year. The most serious factor was the extremely unfavourable harvesting weather. A recent report estimates that about 90 million bushels remain unharvested in the fields this winter. Further, because of the weather factor, a large proportion of the bumper crop has been grading damp and tough, which has thrown an excessively heavy load on terminal drying facilities and delayed the flow of grain through the terminals. A serious problem also faces the farmers at home. An estimated 60 million bushels of damp wheat in storage on the farms is in danger of spoilage. Together with these problems,

congestion at many storage points has delayed and choked off the normal flow of the grain from the fields to distant markets. Then, too, while the foreign demand for wheat continues strong, the rise of the Canadian dollar to parity with the US dollar has resulted in a price decline back to 1949 levels or lower. At the same time, with inflation still dominating the greater part of the domestic economy, the costs of commodities and services used by the farmer in his operations have continued their sharp climb to new heights. Notwithstanding all these difficulties, it is now expected that net income for farmers for 1951 will reach record levels.

The livestock picture in 1951 presents a somewhat similarly mixed picture. Cattle marketings declined in physical volume by 19 per cent, but price increases sustained cash returns at about the same level as the previous year. Hog marketings advanced by more than 17 per cent, with a sustained increase in cash income, during the first three quarters of the year. In the last quarter, however, prices fell drastically, and the Federal Government's long delay in implementing an adequate floor price will undoubtedly have adverse effects on hog production during the forthcoming year.

RECORD CASH INCOME

The year just ended has, then, been an extremely varied and even difficult one for thousands of our farmers. In the overall statistical result, however, it has been highly favourable. With record physical production, and with adjustment payments due from earlier years swelling receipts from 1951 sales, the cash income of our farmers rose to a new record high of \$622 millions. It is estimated now that between 1945 and 1951 gross cash income per farm unit has advanced by more than 50 per cent. Over the comparable period, farm prices have increased by only 23 per cent.

Such a result is, I repeat, a tribute to the basic soundness of our agriculture. It stems from a long-term growth in the real productivity of our farms, due in large measure to higher capitalization and increasing efficiency. At the same time, important agricultural changes have been taking place in our agriculture, which have been exercising profound effects upon the rural economy of the Province. Among these changes has been the trend away from mixed farming, with greater concentration on grain production. While Federal price policy since the end of the war has been a critical influence here, many other critical factors enter the picture; and provincial policy has been constantly aimed at stemming this trend in favour of greater diversification. Thus, our commitment of over 12 months ago to provide \$33 million for the South Saskatchewan Irrigation Project, and our subsequent disappointment that the Federal Government has seen fit to reject the reports of its officials by holding the matter up for still further investigation.

Another basic trend has been the rapid expansion of farm mechanization and the growth of larger farm units. While we welcome this as a sound economic development that increases productivity and income of the farm operation, it does bring into sharp focus a series of problems requiring close, objective study. This, as has already been announced, is to be carried out by a full scale enquiry, the recommendations of which are likely to establish the basis for policy for many years to come.

BASIC FOOD POTENTIAL

Finally, I refer again to the long-term value of our agricultural potential. In the years since the war, international commodity arrangements have been the central feature of our marketing picture. But two years ago we feared a weakening of international demand for our farm products. The international political situation and world supply conditions have since evoked a changed atmosphere. Almost overnight, possible agricultural surpluses were transformed into "strategic reserves". This they appear likely to remain in the immediate future. And over the longer period ahead, I would stress again, this food potential becomes more and more important. It is destined to play a greater role in the world-wide struggle against hunger, want and fear. In the long run, it is the most potent weapon the free world has at its command.

NON-AGRICULTURAL DEVELOPMENT

Turning now in this review to the non-agricultural sectors of our economy, Mr. Speaker, the year just ended has truly ushered in the second half of the 20th century in a most auspicious manner for Saskatchewan. The steady expansion evident in our province since the end of the war gathered new and exciting strength in 1951. Our problem today, perhaps, is not so much to overcome the depression complex of a decade ago, as it is to temper our imagination with realism, and to make sure that we build for the future with sound judgment, hard work, and plain common sense.

The most striking achievement was witnessed again in the mineral industries, where value of output soared to \$51 million, an increase over 1950 of 42 per cent. The larger part of this increase took place in the metallic mineral output of the Pre-Cambrian shield. In this area, exploration and development expenditure doubled in 1951. The number of claims staked rose to over two thousand, double that of any previous year. Contributing to this increase was the aid provided under the prospectors' assistance plan. In the uranium field, 41 permits were issued by the Atomic Energy Control Board to develop radio-active ores. Actual milling will begin this year in the Beaverlodge area, at a rate which is expected to restore Canada to its former position as the world's second greatest producer of this critical material.

SEARCH FOR OIL AND GAS

South of the Shield the search for oil in the sedimentary basin expanded to spectacular proportions. Leading oil men have described the mushrooming of exploration work in Saskatchewan as unparalleled in oil history. 136,000 square miles have now been under the search by the most modern methods available. Over 400 wildcats and test holes were drilled, and total footage drilled increased by 120 per cent, over the previous year. Exploration expenditure in 1951 is estimated at close to \$18 million, and expenditure forecasts for 1952 range variably from \$30 million up to \$50 million.

Among actual strikes during the year perhaps greatest significance attaches to the discovery of Saskatchewan's first medium oil reservoir. It is located, as Honourable Members know, near the town of Fosterton in the west-central part of the province. In addition, the Coleville heavy oil field, discovered in the latter part of 1951, has since

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undergone rapid development and now stands at 20 completed oil wells, and two gassers, with five new wells in the process of being drilled. With a production of 1,248,000 barrels in 1951, output increased appreciably as compared with 1950, and marks a notable advance from the zero output of eight years ago.

I need hardly repeat the story of the important gas discoveries which also took place in the latter part of 1951. Just a few days ago the Husky-Phillips Brock No. 4 well blew in with an initial gas flow of 7,500,000 cubic feet daily, signalling the third successful step-out well since the Brock gas field was first located several months ago. Following the customary practice, wells to determine the extent of the field have been put down at intervals of one mile from the discovery well, and the second of these tested at 40 million cubic feet per day. This is the Province's largest gasser so far, and it is a substantial well by any standard.

On a more mundane, but basically important level, the production of lignite coal, and a variety of industrial minerals — salt, sand and gravel, sodium sulphate, clays — continued to advance during the past year. Experimentation and testing work continued upon the potash reserves, bentonite, and ball and china clays; and as further low-cost fuels become available, prospects for their commercial utilization are greatly enhanced.

RENEWABLE RESOURCES

I am especially pleased, Mr. Speaker, to comment briefly at this time upon the forest industries of the Province. In past years I have referred to the Government policy of curtailing the volume of output as a basic step in the program of conservation and long-term management recommended by the Royal Commission on Forestry. As a consequence, the volume and value of production has been declining for several years past pending essential surveys and inventories being carried out by the Forestry Branch. By last year plans for sustained yield had been developed to the point where it was possible to permit a substantial increase in the volume of production. This, coupled with higher prices, resulted in a gross value of output of close to \$10 million, reflecting an increase of 139 per cent over the previous year. Forestry officials believe that under the present policy of forest management it will shortly be possible to operate a \$20 million industry on a permanent year-in, year-out basis, where only eight years ago we were faced with the distinct possibility that our commercial timber would be completely wiped out. The management plans since brought into operation have completely reversed this disastrous situation, and they are bringing closer to realization our hopes for the further utilization of our forest products, in the form of plywood, wallboard and pulp and paper.

Closely linked with our forests are fish and fur production, and the tourist industry. With regard to the first two, policies of conservation and sustained yield are also being carried out with marked success. At the same time, good marketing conditions in 1951 have sustained the value of production and returns to the primary producer. Adequate statistical data on the tourist industry is not currently available, but it is significant that the number of angling licences issued to non-residents of the province have shown a steady increase. Last year the total rose to over 6,000 — over three times the number granted in 1945, and the Saskatchewan Frontier is expected to bring ever-increasing numbers of tourists into the Province.

MANUFACTURING INDUSTRIES

Preliminary data also indicate that 1951 has been a year of further growth and expansion in the manufacturing industries of the Province. In spite of Federal policies aimed at clamping down upon non-defence industry, capital investment in manufacturing — in food processing, oil refining, textiles, wood products, chemicals and metal fabrication — was forecast at a new record total of \$17 million. This surpassed the previous year by 50 per cent. Altogether it is estimated that in the four year period beginning in 1948, manufacturing and processing facilities to the value of \$50 million have been added to the productive complement of our cities and towns. At least 90 new plants and 15 entirely new manufacturing activities have been established since 1945; and the 1951 gross value of output is tentatively estimated at close to \$250 million, a gain of 50 per cent over the past six years.

Since the introduction of the \$5 billion National defence plan, several representations have been made to the Federal Government asking that a proper effort be made to direct a more adequate share of defence purchases to the less highly industrialized regions of the Dominion. Such effort should be made in the interests of building up a more balanced economy throughout the nation rather than adding to the already extreme concentrations of industry in particular areas at a severe cost to the rest of the country. Unfortunately the Federal Government has had only a minimum regard for these needs, and the expansion of our urban industries has proceeded in spite of, rather than being assisted, by federal policy.

POWER AND TRANSPORT

I have noted, Mr. Speaker, that 1951 has added further stature to the post-war story of increased production and income in our primary and secondary industries. This growth, in turn, has accelerated the expansion of our service industries. In electric power, the total output of central electric stations of the Province, exclusive of the northern hydro installations, has increased to 450 million kilowatt hours, more than 15 per cent over the previous year. Since the end of the war, output has been almost doubled, and current plans for increased generating capacity indicate that this advance will be maintained.

Similarly, in 1951 the Government Telephone System continued to establish new records in volume of business and net earnings, all without any increase in its rate to consumers. 7,400 new stations were connected, raising the total stations in the Government system to more than 85,000. Altogether the total number of telephones in use in the province increased to 142,000, a gain of 40 per cent during the post-war period.

Despite the increasing competition of motor carriers, gains in revenue freight loaded by the railways in the province pushed the 1951 total up to an estimated 12,000,000 tons — close to the war-time peak. As Honourable Members know, however, continuing freight rate increases since the end of the war have added serious burdens to our economy. Since the first application of the railways in October, 1946, the general level of freight rates has been raised to a point about 70 per cent higher than it was in the spring of 1948.

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The increases which have been awarded to the railway by the Board of Transport Commissioners may have tended to obscure the effective work done by this and the other western and Maritime Provinces in co-operation, in limiting the rise in the freight rate level. Had the original application of the railways been granted in full and each succeeding increase been granted as requested, the general level of freight rates would now have reached a point 92 per cent higher than in the spring of 1948. In thus limiting the rise in freight rate levels certain principles have been firmly established. These have had the effect of reducing, for rate making purposes, the financial requirements of the C.P.R. as the yardstick road.

In addition to playing a significant part in resisting increases in freight rates the Government has participated at length in the proceedings of the Royal Commission on Transportation. Out of the report of that Commission has come new legislation which provides for an overhaul of the freight rate structure, involving among other things provision for the equalization of freight rates. The Transport Board is currently engaged in studies aimed at implementing the new legislation in the course of its General Freight Rates Investigation. The Government, of course, will also take part in these investigations, acting on behalf of producers and consumers alike in the province.

THE PUBLIC CORPORATIONS

Just before closing this review of general economic conditions in the province during the past year, Mr. Speaker, I should like to discuss briefly the progress of the Government's own business operations.

The overall financial results during the fiscal year 1950-51 reflect a rise in net earnings to \$3.8 million, representing a return of more than 8.5 per cent on monies advanced by the Treasury and outstanding at financial year end. With three exceptions, and two of these are special cases of new plants, individual reports for each of the corporations during years ending in late 1951 indicate generally good financial results. Interim figures reveal a net revenue of about \$4.3 million. Corporations other than power and telephone provided a return of close to 10 per cent on Treasury advances outstanding at the company year ends, in spite of losses recorded by three of the of the total of fifteen operating divisions involved. Earnings from the power and telephone utilities represented a net return of 7.9 per cent on Treasury advances outstanding at their year ends. During the year the business volume of sales and services handled through all the corporations climbed to over \$30 million, up about \$3 million over the previous year.

If time permitted, Mr. Speaker, I should like to review the operations of the individual of corporations, not only from a financial point of view, but also in terms of their significance to the developing economic and social life of our province. There are many highlights that come readily to mind. But these will receive detailed attention from the House in due course. It may suffice at this time, if I recapitulate here, very briefly, the financial record of the corporations. The public enterprises are of considerable interest, not only to members of this House and to the people of the Province, but also to a great many people beyond our borders. They are, in fact, of keen importance to many far-away investors who hold Saskatchewan bonds, since they properly represent an important element of added security for our borrowings. Over the 6-year period beginning in 1946, the corporations have earned

for the people of the Province a total of more than \$20 million. They have provided total goods and services valued at more than \$130 million, and provided wages and salaries in excess of \$33 million. Through these corporations the people of the Province today possess both fixed and current assets valued at more than \$75 million, net of depreciation reserves; and these are assets which represent a potential for the earning of public revenue, for an increasing output of goods and services, and for providing employment and payrolls — all in greater measure as our Province continues to grow.

CO-OPERATIVE AND PUBLIC ENTERPRISE

Now substantial as this achievement has been, it is nevertheless true that our public corporations account for only a relatively small share in the overall business turnover of the province. The Government has always been the first to recognize this, — and we are sometimes surprised that members opposite feel it necessary to devote so large a proportion of their energies and attention to this particular sphere of the public business. Be that as it may, I want to draw to the attention of the Assembly the continued growth of the co-operative movement, which has long been a principal factor in the economic life of the Province.

Each year throughout the whole post-war period co-operative enterprises have been major contributors to our economic expansion. The fiscal year ending in 1951 has proved to be no exception. Over fifty new associations were registered, bringing total for all kinds to 1,100. Almost every second person in the province was registered as a member. During 1950-51 these associations boosted their total assets to \$133 million, an increase of 90 per cent over the 1944-45 total. In the year past, moreover, they transacted a total business of some \$359 million, representing an increase of about 66 per cent over comparable figures for 1944-45.

That private business, in turn, found the atmosphere in Saskatchewan attractive to expansion is attested by data recorded by the registrar of joint stock companies. Business incorporations and registrations continued at a high level during the past year. Incorporation of Saskatchewan companies declined somewhat from the previous year, but registration of extra-provincial companies advanced markedly. In 1951, 178 new enterprises, with capitalization of over \$13 million were incorporated, while 120 companies capitalized at \$582 million, registered in the province. Since 1945 a total of 1,577 new or extra-provincial private companies have entered into business in Saskatchewan for the first time.

POPULATION TRENDS

The increase thus noted in our business enterprise population, Mr. Speaker, brings instantly to mind the problem raised by the recent official census count. The facts of our population problem have already been made known in this House. They show a severe population decrease between 1936 and 1946, largely because the outflow from the rural areas, which has been characteristic of the whole continent, has had a particularly heavy impact upon a province as predominantly agricultural as Saskatchewan.

Happily it now appears that in the past five-year period the increase in employment and population in the urban centres has just about counter-balanced the continued rural decline, since total population has fallen by only one-tenth of one per cent between 1946 and 1951. Yet, as the Premier has already pointed out, this result, while encouraging, is by no

means satisfactory. We may, indeed, have been partly successful in stemming the outward tide during the past several years through improved agricultural stability and greater opportunities in non-farm industries. But it is now clear that we must redouble our efforts in both these directions, not only to hold our own, but also to attract increasing numbers from other areas. Fortunately, as I have indicated, our developing economy has shown that this is possible. I am confident that as employment opportunities are enlarged in keeping with our development policies we shall be able to reverse the trend completely.

DOMINION-PROVINCIAL FINANCIAL AGREEMENT

Turning now to specific problems of government finance, Mr. Speaker, let me deal first with the question of financial relations between the Province and the Federal Government. As Honourable Members are aware the existing tax rental agreement expires on March 31st of this year. Under this agreement, entered into in 1947, the Province surrendered certain taxation rights in return for regular annual rental payments. The amount of these yearly payments varied with changes in the gross national product and in the population of the province, but, in no case were they to fall below a guaranteed minimum of \$15,291,490. The rental amount received by the Province has increased from \$16,111,000 in 1948 to an estimated \$19,948,000 this current year.

The history of the tax rental agreements dates back to the early years of the Second World War. At that time, the realities of the wartime economy demanded that the fiscal powers of the Federal Government should be adequate for the most effective prosecution of the war. In keeping with the needs of the time, the province agreed to vacate certain tax fields in favour of the Dominion in return for guaranteed annual payments.

With evidence of the approaching complete cessation of hostilities, the provinces met with the Federal Government in Ottawa in August of 1945. At this conference, post-war reconstruction loomed as the paramount problem facing the Canadian economy. The reasons for a unified fiscal policy which had appeared so compelling in time of war, appeared equally compelling in time of peace. As a first step towards systematic post-war readjustment, the Federal Government made certain proposals to the provinces. These included:

- 1 . Continued use of certain provincial tax fields by the Federal Government.
2. Old Age pensions for all persons over 70 years of age to be provided by the Federal Government.
3. A jointly financed scheme of old age assistance for those between 65 and 69 who were in need.
4. Federal responsibility for the care of all employable unemployed persons.
5. A health insurance scheme with 60 per cent of the cost to be borne by the Federal Government.
6. A program of public works to be jointly financed.

While it soon became apparent that these proposals would not be implemented immediately, and although this Government questioned their

adequacy, we did accept them as a new basis for sharing the growing responsibilities of the various governments. This Province, therefore, entered into a new agreement, believing that this would be the first step in the direction indicated by the Federal Government's proposals. Regrettably, we have had to report to this House in each previous year of the present agreement that no substantial efforts had been made to put the 1945 proposals into effect.

In this, the final year of this agreement, the measures respecting old age security and assistance have been implemented — -and for this, we do congratulate the Federal Government. At the same time it must be recognized that the program outlined to us in 1945, and for which we did relinquish certain fields of taxation, is far from being completed.

On March 31st the present agreement expires. Last year at this time I reported to this House on negotiations concerning the possible renewal of the tax rental agreement for a further period of five years. I pointed out at that time that the formula for determining payments to the Province remained basically the same as that contained in the 1947 agreement, although some provision had been made for revision of the payment structure upward in keeping with the unprecedented expansion of the Canadian economy.

In November of last year I met with federal officials in Ottawa to discuss the terms of the proposed agreement. At that time I pointed out to the Federal Government that certain discrepancies existed between various official population estimates for the Prairie Provinces for the year 1942, one of the base years used in determining the payment formula. The Federal Minister of Finance has since advised us that the Federal Government is willing to agree to our request that the Prairie Provinces be allowed to use that 1942 population figure which will give them the largest rental payments. The result is that Saskatchewan's proposed guaranteed minimum and annual payments will now be increased by approximately one million dollars on this particular count.

The Minister of Finance has also advised that the Federal Government is willing to calculate the annual payments under the proposed agreement on the basis of relevant data for the preceding year. When renewal of the tax rental agreement was first discussed, the Federal Government proposed that payments should be based on the average national production over the preceding two years. Payments under the present agreement are based upon a three year average. The effect of using the shorter period of production as a basis for calculations is to speed up those increases in payments resulting from increased total production. Conversely, it served to speed up any decrease in payments which would result from a period of deflation and unemployment.

This Government has given careful consideration to its choice between the alternatives offered. Since the tax rental agreement is for a fixed period of time, it can be demonstrated that if economic conditions are such that total production in the last year of the agreement falls below the value of the 1950 gross national product — and only if this situation does develop — the Province will lose financially by choosing the one-year over the two-year basis for computation. On the other hand, if the Canadian economy can be expected either to maintain present levels or to continue its growth and expand its output throughout the period of the agreement, it can be demonstrated that the province will gain financially by selecting the one-year basis for computation.

We have considered these matters carefully and have decided in favour of the one-year formula. During the course of the Session we will recommend to this House that a tax rental agreement be entered into for a further period of five years. Such an agreement will mean that we again relinquish for that period of time all rights in the fields of personal and corporation income taxation and succession duties. The five per cent provincial corporation income tax levied by the Provincial Government under the existing agreement will be dropped at the request of the Federal Government. In return for relinquishing these fields of taxation we will receive an annual rental payment which will not fall below \$20,073,770 in any year. With continued economic growth in Canada, this annual payment may be expected to be greatly in excess of this minimum figure.

FISCAL YEAR, 1950-51

Mr. Speaker, the Public Accounts for the fiscal year 1950-51 were tabled in the House several days ago. They show a surplus on Revenue Account of \$262,959, after expenditures of \$55,849,886 were applied against revenue of \$56,112,845. Only \$2 million from Liquor Board earnings were taken into revenue in 1950-51. Had all such earnings been so treated, as is usual for other provinces, the recorded surplus would have reached \$6,491,990.

This strong position is of course a direct reflection of the of our provincial economy, together with the Government's policy of budget management. In every year since 1944 we have been able to budget for and declare a surplus. For the seven years ending in March, 1951, these revenue surpluses have totalled \$5,837,799, exclusive of Liquor Board earnings. These in aggregate would have provided total surpluses of \$31,882,129 which have largely been used for the retirement of bond maturities and for building up sinking funds.

CURRENT FISCAL YEAR, 1951-52

The estimates for 1951-52, as brought down in the budget last year, made provision for some increases in program costs. It was not anticipated, however, that the inflationary price rise would be so drastic and swift as to reach the 18 points actually recorded during 1951. Consequently nearly all departments found it exceedingly difficult to remain within allotments and yet carry forward the programs as planned.

Estimates were exceeded in almost all cases by amounts which can be closely related to actual cost increases. The one instance where budgetary figures proved significantly too low was in an area where the Government does not exercise direct control. This, of course, is the Hospital Services Plan, where volume of care reached new peaks and where costs have proven particularly volatile. It now appears that the volume of care may be levelling off, and it may be that for the first time we are cutting significantly into that backlog of sickness and ill-health which had accumulated in the province for years prior to the institution of the Hospital Plan.

Honourable Members will therefore be asked to approve necessary supplementary votes. In spite of these, however, the present revenue picture is such as to assure us once again of a fairly substantial surplus.

REVENUE BUDGET, 1952-53

Earlier this afternoon, Mr. Speaker, I tabled the estimates for the next fiscal year. These estimates provide for a surplus of \$48,890, as follows:

Estimated Revenues	\$65,922,580
Estimated Expenditures	<u>65,873,690</u>
Estimated Surplus	<u><u>\$48,890</u></u>

Our province, in brief, has reached the economic stature where it is now capable of carrying that \$60 million budget, which, some honourable Members may recall, I forecast in my address of six years ago. Two major forces have contributed to this development. The first is the sharp, inflationary price rise throughout the national economy since the end of the war; the second is the real expansion of production and income in Saskatchewan itself.

At first sight, budgets of this order may appear large, but an interesting test may be applied, of the capacity of our economy to support the existing and proposed program. In 1945-46, our taxation receipts amounted to \$14,102,000, a sum representing 3.6 per cent of the personal income of this province, as recorded in the official estimates of the Dominion Bureau of Statistics. It is not possible to forecast accurately for the year ahead, but a comparable measure on a preliminary basis for the current fiscal year is less than 2.5 per cent. In other words comparable provincial taxation receipts this year amount to only about 2.5 per cent of current personal income. Despite the doubling of provincial government receipts and expenditures since 1945, our tax policy has actually reduced the burden borne by Provincial taxpayers in relation to their income. If receipts from the hospitalization tax, which go to provide a wholly new and basic service, are included in these calculations, the percentage burden for the current year is increased to only 3 per cent of total personal income.

For this reason, Mr. Speaker, I am confident, not only of the capacity of our economy to sustain the proposed budget, but also of the willingness of the people of the Province to accept it. Revenues are based upon a system that is as efficient and equitable as it lies within our constitutional and financial powers to devise. Expenditures are based upon three pivotal considerations: first, the security and enhancement of the personal welfare and dignity of our people; second, the maximum long-term development of all our productive resources; and third, the utmost efficiency in public spending devoted to these ends.

Because these considerations have now guided the preparation of the provincial budget for the past several years, such changes as are proposed are largely those suggested by accumulating experience and new conditions. There are a number of important developments which I should like to briefly review.

AGRICULTURAL INDUSTRY

Let me consider first the level of expenditure upon our basic industry. The agricultural vote calls for \$2,716,000 on revenue account, and a further \$950,000 on capital account. While this represents a net increase of \$316,000 over the previous year, it is also proposed that substantial savings on grasshopper control of more than \$170,000 will also be diverted to other agricultural activity. In the aggregate it may be noted, these sums amount to a 500 per cent expansion over the levels of 1944.

The Animal Industry Branch next year will receive a total of more than \$503,000, an increase of \$190,000. This reflects the Department's increasing emphasis upon the maintenance and improvement of the livestock, poultry, and dairy industries, as all-important parts of a diversified agriculture. A second important extension will take place in the Lands Branch, for which we propose a total of \$746,810, compared with the \$597,420 voted last year. This will include a capital sum of \$350,000 for the acquisition, improvement, clearing, and breaking of new farm lands, and a revenue vote of \$396,810 covering inspection, classification and administration of provincial lands and community pastures.

The third major advance provides for the expanded program of irrigation drainage, and land settlement being carried on by the Conservation and Development Branch. The program is estimated next year to require \$748,190 on revenue account and \$600,000 on capital. Finally we propose a moderate increase in the vote for the Agricultural Representatives Branch, the mainspring of our technical extension services. It is clear to us that the most important economic producer in the province today continues to be the man on the dry land farm. Any fundamental improvement in this \$750 million farm industry is clearly beyond the direct investment capabilities of the Provincial Government. But the investment of brains, technical skill and the knowledge born of scientific research is within our competence to provide. The Ag. Rep. Service is doing that job.

NATURAL RESOURCES

As to the development and conservation of our natural resources, apart from agriculture, gross expenditures are expected to rise next year by \$260,000 to a total of \$22,656,230. In the period since 1944, these expenditures have doubled, and doubled once again, as an increasing portion of the larger revenue from the public domain is being ploughed back into further developmental programs.

It is on this basis that we have financed the greatly expanded and immensely varied activities of the department — the administration of mushrooming oil and gas search, the geological survey and mapping, prospectors' assistance, utilization of industrial minerals, forest management and protection, the fish, fur and game industries, construction of resource development facilities, museums, parks and tourism — all these and more. These programs are deliberately aimed at the expansion of output and employment based upon our non-agricultural resources. The proof of the pudding is in the eating, Mr. Speaker. The objective facts and figures already placed before the Assembly this afternoon bear witness to the soundness of the Government's approach.

HIGHWAY CONSTRUCTION

For the highway program in 1952-53, we propose a vote of \$7,300,000 on revenue account, and of \$9,636,500 (gross) on capital. This is a substantial

vote, designed to cover expected increases in costs and to finance a further enlarged program throughout the year. Later in the Session, no doubt, the Minister of Highways will again provide details to the House. On this occasion I point only to the transformation that has been taking place in the highway system since 1944, under a Government which recognizes the basic importance of adequate road and highway facilities in an expanding economy.

In seven years almost 3,600 miles of main and secondary highways have been constructed from scratch or completely reconstructed. This figure, Mr. Speaker, represents about 40 per cent of the total mileage in the wreck of a highway system inherited in 1944. We have gravelled and regavelled over 4,400 miles of highway, equivalent to 48 per cent of the entire gravelled mileage in the province. The number of miles of paved surfacing has been increased by almost seven times. And next year alone expenditure on market roads and municipal bridges will rise to \$1,000,000.

HEALTH AND WELFARE

Let me now consider the Departments of Public Health and Social Welfare. Estimates for the latter, on a net basis total \$8,020,000. It has not yet been possible to assess accurately the probable financial impact of the new old age security and old age assistance plan. It is hoped, however that our reduced obligations to those over 70 will fully balance off increased costs, certain program expansions, and the new commitments authorized by the special session of last fall.

Our estimates also provide \$300,000 for work on the Melfort Nursing Home. The completion of this home will bring to four the number of such institutions being operated by the Government for the care of the aged. At the other end of the age scale, the principal changes proposed allow for further expansion of the work of the Child Welfare Branch and for an increase as of April 1st, of \$10 per month in the rates of Mothers' Allowances.

In Public Health our chief intent at this stage is the further consolidation and reinforcement of an overall program that already stands out as the beacon light of "Humanity First" over the whole of the North American continent.

It will be necessary first, to provide a total of \$8,725,610 for the Hospital Plan for next year. This is an amount about equal to the vote for the current year plus the supplementary estimate; and as I have previously mentioned, there are now indications that the volume of hospital care is levelling off. We are hopeful, as well, that the great increase in hospital operating costs can now be reasonably well contained. Related to this is the stabilized level of hospital construction. Next year's program is expected to raise the number of beds in the Province to an approximate total of 7,000, the maximum considered necessary, and future construction will be devoted chiefly to the replacement of obsolete institutions.

Some increases are also proposed to meet higher costs and the heavier case load serviced under both the cancer control program and medical care services. During 1951 the Cancer Commission handled 10,000 free examinations and treatments. It is expected to require \$684,670 in 1952. Free medical services for about 35,000 old age and blind pensioners, mothers' allowance recipients and social aid cases are estimated at \$1,042,000 for the next fiscal year.

On the preventive side the Department anticipates the maintenance of existing services at substantially the same level. The principal increase proposed is in the Regional Health Services program, where \$512,000 is requested for 1952-53 as against \$400,000 this year. While the Health Regions have not as yet been able to introduce wholly complete programs, they have taken great steps forward in developing preventive health services. Six regions have now been established and provision is made for necessary assistance in formation of the seventh. We propose also to continue grants to Health Region No. 1, where, as is well known, the people of the region, the medical profession, and health officials have all co-operated fully to establish an outstanding prepaid medical care plan.

Finally I should like to mention briefly the mental services division, where important increases are also proposed. Next year \$5,154,000 will be required on revenue account for the mental institutions and preventive psychiatric services. The Public Works Capital Account also provides a further \$1,090,000. I think we all have cause for pride in the recent statement by the internationally recognized psychiatrist, Dr. Karl Menninger, to the effect that Saskatchewan is the only geographical area in the world which has today all the well-trained psychiatric staff it needs.

EDUCATION

The last of the major program departments is that of Education. The policies of the Government in this regard have already been eloquently presented to you, Mr. Speaker, by the Minister of Education. There is no person in this House, perhaps no person in the province, who has laboured harder or longer or more effectively in the cause of education than the Minister. Certainly no member of this House and least of all the "Johnny-Come-Lately's" can speak upon this subject with wider authority or greater sincerity of purpose.

It will be unnecessary for me, then, to dwell at any length upon our educational program. Suffice it to say that thanks to the willing co-operation and effort of thousands of parents, teachers and local school officials, I know our plan to improve the system of education in this province have met with outstanding success. To the limit of our financial and human resources, the conditions of the teaching profession have been improved, school facilities throughout the province have been modernized and expanded, the opportunities open to thousands of boys and girls broadened and advanced, and the rising costs of education substantially equalized upon a basis of ability to pay.

The budgetary estimates for the year ahead are again aimed at these objectives. Cross expenditure proposed includes \$11,729,960 on revenue account, and \$600,000 on capital. These sums allow for an overall increase of \$1,692,800 of which \$1,600,320 will be provided in the specific form of higher payments to local schools. In the years since 1944 expenditures upon education have thus almost tripled. Direct provincial payments to local school boards have fully kept pace.

I come now to the matter of the public revenue tax. The Government has given the question the most careful consideration, having fully in mind the history, background and incidence of the tax, the fiscal position of the municipalities, the analysis and recommendations of the municipal relations committee, and the varied views expressed at the series of conferences held with municipal officials during the course of the past year.

We propose not to eliminate the tax at this time, but to provide that the full proceeds, estimated \$1,600,000 shall be earmarked for the increased payments to local schools.

Under this proposal, the flat per diem operating grant for elementary schools will be raised from \$1.50 to \$2.00, at an estimated total cost of \$600,000. The balance of \$1 million will be distributed upon the basis of the equalization formula to ensure that school districts in the greatest financial need will secure the largest measure of assistance. Departmental officials have calculated that as a result of these increased grants it will be possible to reduce the local mill rate by as much as five mills in some of the larger school units, and by considerably more in some districts not included in the units.

As I said before, Mr. Speaker, the Government has given the question the most careful thought and study. The Committee report documented very clearly the fact that under income conditions prevailing over the past decade, the total of direct taxes upon the land — including those for school, municipal, and provincial purposes — has imposed a far less onerous burden upon the economy as a whole than at any previous time. It is readily granted that it may be necessary, however, to lighten the burden in specific areas handicapped by low productivity and poor soil resources. At the same time the need and desirability for still further advance in education over the greater part of the province is acknowledged with equal readiness. The complete elimination of the tax at this time, it seems to us, serves neither of these ends. The proposal as outlined — to discontinue the tax for any provincial purpose but to return the full proceeds to the municipalities for school purposes on the basis as outlined — accomplishes both desirable objectives. I am confident that this approach will commend itself to local school officials and teachers alike. I am equally confident that it will be approved by all those who support the broadening and improvement of educational opportunity for the children of Saskatchewan.

PROVINCIAL-MUNICIPAL RELATIONS

This discussion, Mr. Speaker, leads me directly to some brief remarks upon the problem of provincial aid to municipalities. Although conditions vary widely from province to province, municipal financial difficulties are nation-wide in extent, and nearly every provincial government has had, or plans to have, an inquiry into the subject. In Saskatchewan we have been considerably in advance of a majority of the provinces, both because of the broad assistance program begun as early as our first year in office, and because of the action made possible by our relatively early inquiry.

Convincing evidence has already been laid before this House to prove how the direct and indirect aid received from this Government since 1944 has contributed materially to municipal solvency. The cancellation of seed grain and relief indebtedness, the expanded highway, market road and bridge program, increased grants for education and the assumption of a very much greater share of health and welfare responsibilities have all been objectively recorded and commended in the report on provincial-municipal relations. I refer Honourable Members once again to a careful perusal of the whole of that document. The departmental report tabled in the House a few days ago, now indicates material improvement in the financial position of the municipalities. Revenues of incorporated cities and towns increased in 1950 by almost \$2,500,000 over the previous year, while the number of rural municipalities operating on current deficits was reduced from 248 in 1947 to 94 in 1950.

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The Government has already taken specific action to implement a part of the Committee's report and now proposes to carry this program ahead still further. It is estimated that the increased grant to the municipal Anti-Tuberculosis League will relieve the municipalities by an additional \$200,000 in 1952. The regulations governing the provision of payments in lieu of taxes on commercial public enterprises are now under review. At a cost of more than \$1 million, the highways department will continue market road grants and will broaden its program of assisting municipalities with their local bridge problems. The Municipal Advisory Commission, as recommended, is being established for advice and consultation for municipalities. And finally, as I have already indicated, the action taken with respect to the Public Revenue Tax will relieve all municipalities still further, but provide the greatest benefit for those in greatest need.

NEW BORROWINGS

I should like now to consider our capital position. During the present fiscal year the province borrowed a total of \$13,650,000. Each issue had an interest coupon rate of 3 3/4 per cent.

The first for the sum of \$4,150,000, dated June 1st due in 1967, was sold on the American market at a price to yield 3.80 per cent. The second of \$4,500,000, dated November 1st and maturing in 1971, was also sold on the American market and at a yield of 3.90 per cent. The third issue of \$5,000,000, dated January 1st, was sold privately to a group of Canadian banks. This was a short term issue maturing in two years and was sold at par to yield 3 3/4 per cent.

I think we have cause to congratulate ourselves on the confidence shown in Saskatchewan by the investing public at a time when interest rates have been rising so rapidly. We have naturally had to pay higher interest rates, but it is a source of great satisfaction to know that, in the last eighteen months, Saskatchewan has been able to borrow \$29,525,000 at an average rate of 3.55 per cent, the second lowest rate of any province in during that period.

It will be appropriate at this time to refer to two issues maturing in the near future. The first of these involves \$7,980,000 bearing interest at 6 per cent and maturing on March 15. These debentures were floated in 1932, and are the last of the bonds bearing the high interest rate of 6 per cent. It is my intention to pay of this on maturity and to use the proceeds of the \$5,000,000 short term issue to refund the balance. Thus the interest charges will be reduced from \$478,800 to \$187,500, a saving of nearly \$300,000 annually.

Also due this year is an issue of \$4,000,000 maturing on October 1st. This again is the last Saskatchewan issue bearing interest at 5 1/2 per cent. Thus there will pass away another grim reminder of the toll of the thirties, when the province found it necessary to borrow at excessive interest rates for the deficit on revenue account.

The Canadian market for bonds continues to be very soft. During the calendar year 1951 all types of bonds — Dominions, provincials, and industrials — dropped very sharply in price with consequent increases in cost to the borrower. During the year, Dominions 2 1/4's of 1968 dropped 6.25 points for a yield of .52 per cent higher. During the same period, Manitoba 3's of 1968 dropped from 98 to 86, a drop of 12 points to sell at 1.02 per cent higher. Our own 3 1/2's of 1968 dropped from 100.50 to 91 7/8, a drop of 8 5/8 points to sell .76 per cent higher. A typical industrial, such as the Bell Telephone

Company 3's of 1977, dropped from 97 to 83, a drop of 14 points to sell .91 per cent higher.

I mention these cases to show that the increases in bond interest rates were of a very general nature. Happily, Saskatchewan's bonds had the lowest drop in prices of any province in the Dominion during the year.

In recent weeks, the Canadian market has shown some signs of improvement with the result that some of the provinces have borrowed here again instead of going to the U.S. market as was generally the case for all provinces in 1951. The advantages of borrowing in the U.S. have been reduced to a degree, as a result of the increase in value of the Canadian dollar in relation to that of the U.S. During my budget address last year, I stated, "there seems no reason why we cannot confidently look forward in the near future to the day when the value of the Canadian dollar will not only equal but exceed that of the U.S.A." That day has now arrived and we now actually borrow only one Canadian dollar when we borrow a dollar in the United States, whereas in August, 1950, we could get \$1.10 in Canadian funds for each dollar borrowed.

Nevertheless, the American market can still supply requirements on better terms than the Canadian market. Recent borrowings of Quebec, Ontario and Manitoba in Canada have been for ten year terms, and the money cost to the provinces has been over 4.05 per cent.

I am pleased to announce that we have completed arrangements to borrow \$20,000,000 in the U.S.A. for a twenty-year period at a rate of 4 per cent. I expect that this amount will take care of the province's requirements for the next fiscal year.

DEBT IMPROVEMENTS

No review of the province would be complete without some reference to our debt position. I have endeavoured in the past to distinguish between self-liquidating debt and dead weight debt. The former need not be capital which enables profits to be earned over and above the interest charges required. On the other hand dead-weight debt is a burden on the borrower, and must be paid directly out of taxes.

On April 30, 1944, the net debt of the province was \$214,253,120. Since that date to December 31, 1951, we have spent on capital account an additional \$78,071,794, which would normally bring our indebtedness to a total of \$292,324,915. However, an examination of the financial statements shows that after deducting the amounts invested in sinking funds, in bonds and in the bank, the net debt as at December 31, 1951, amounted to \$151,639,999. This shows an improvement in our financial position of \$140,684,915 or nearly \$20 million a year.

Not only has the financial position of the province been improved in dollars, but the improvement has been largely in cleaning up the old dead-weight debt, as is shown in the following table:

	April 30, 1944	December 31, 1951
Self Liquidating Debt (gross)	\$50,705,000	\$64,518,000
Partial Self Liquidating Debt, such as Highways, (gross)	36,612,000	37,410,000
Dead-Weight Debt (gross)	151,855,000	73,003,000
	<u>\$238,172,000</u>	<u>\$174,931,000</u>

The improvement in our debt position is reflected in still another way. For the first time since the province was formed in 1950, we shall start out the next fiscal year with an average interest rate on our bonded indebtedness of less than 4 per cent. During the year, through lower interest rates on borrowing the average has been reduced from 4.01 per cent to 3.87 per cent. Honourable Members will be interested to know that in 1924 the average rate was 5.24 per cent and that twenty years later, in 1944, it was 4.53 per cent, a drop of .71 per cent. They will be more gratified to learn that in the past eight years alone the average interest rate on our debt has been reduced by 66 per cent.

EXPANDING ECONOMY

The overall improvement of finances during the past eight years, Mr. Speaker, is due in no small part to our successful re-organization of the debt and capital position. Yet we of the Government are the first to acknowledge — and to take pride in the fact — that the economy of Saskatchewan has been prosperous and expanding since 1944, and has thus made possible such a growth of public service and public development as was simply undreamed of in the stagnation of ten years ago. This same economic growth, I am happy to announce, will again increase revenues, and will make possible the major extensions of programs I have already reviewed, without recourse to any new taxes, or to increases in any existing taxes.

Finally, Mr. Speaker, it has been made unhappily evident to us all that there are certain vested interests in the province, certain sections of the press for example, who are determined to deny and discredit the actual record of economic expansion taking place in Saskatchewan today. Their tactic is simply to undermine confidence in the Government, regardless of the ultimate cost to the Province. Fortunately they are few in number, and they mislead still fewer. For the undeniable truth is that never has there been a greater spirit of enterprise and confidence in Saskatchewan than there is today. And by enterprise and confidence, I mean that shared by private individuals, by private companies, by the co-operative movement, and by the Government.

In the very first of my budget addresses eight years ago, I pointed out that this Government fully recognized the importance of utilizing, and I quote: "All available investment capital for the development of Saskatchewan's resources". I went on to pledge the word of this Government in these terms:

"In the pursuit of those policies 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."

In successive budget addresses I have re-iterated that pledge. I have re-iterated the Government's conviction that investment by private enterprise, by co-operative enterprise, and by public enterprise is necessary and workable as a practical policy. Today the expansion of output, the increase in income, the opening up of new industries, the exploration and development of our resources — all of these things are going on, and shared in by private, co-operative and public enterprise. Today this province is embarked upon the greatest era of growth and development in its fifty year history. Today, once again, I restate that pledge as a basic cornerstone in this government's plans and hopes for the future greater welfare of the people of Saskatchewan. Mr, Speaker, I move that you do now leave the chair.

Mr. G. Herman Danielson (Arm River): —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.