

**LEGISLATIVE ASSEMBLY OF SASKATCHEWAN**  
**First Session – Fourteenth Legislature**  
**13th Day**

**Monday, February 27th, 1961.**

The House met at 2:30 o'clock p.m.

On the Orders of the Day:

**WELCOME TO STUDENTS**

**Premier T.C. Douglas:** — Mr. Speaker, I would like to draw the attention of the House to a very fine group of young people, who are in the west gallery. They are high school students from Western Christian Collage. I'm sure that I'm expressing the views of all Members in the House, when we say how glad we are to have these students along with their teachers Miss Torkelson and Mr. Peterson with us today, sitting in on the Legislature. We hope they will enjoy their visit to our proceedings.

**BUDGET ADDRESS**

**Hon. W.S. Lloyd** (Provincial Treasurer): — Mr. Speaker, in rising today with the annual Motion of Supply, I should like first to express a personal welcome to the many new Members on both sides of the House. While the balance of strength to your right and left, Mr. Speaker, has not changed greatly in this fourteenth Legislature, the entry of some twenty new Members has certainly changed its face. At the same time, those of us who sat in earlier Legislatures, certainly miss the presence of many friends, — good colleagues and redoubtable opponents alike. This is particularly true in my own case. I follow in the footsteps of a particularly able Provincial Treasurer, one whose long term office contributed much to the shaping of the new Saskatchewan we have seen emerge in the post-war period.

Since budgets are developed against the background of existing economic conditions I turn first, Mr. Speaker, to the essential survey of those conditions. In this regard there is no doubt that our 1961 budget has been developed against one of the most disturbing backgrounds of the post-war era.

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Last year my predecessor noted that while the Canadian economy was recovering from the recession of 1957-58, this recovery was “marked by considerable stress and imbalance”. He expressed concern over the prospect of an early “damping down in the rate of advance”. His apprehensions were well-founded. The recovery was in fact very weak and short-lived. By the middle of 1960 the turning point of the economic cycle had already been reached and we were once more headed into another recession.

The performance of the economy in the past year has now been fairly well delineated. The total Canadian output of goods and services will fall far short of the 6 per cent increase predicted in the federal budget of last March. With continued growth in population and labour force, unemployment emerged as a particularly serious problem. The rate of unemployment, seasonally adjusted, averaged more than 6 per cent for the last six months of 1960. In January of this year the official federal survey reported 693,000 Canadians out of work — equivalent to 10.8 per cent of the Canadian labour force. The 1960 record was marred not only by unemployment of people but also by under-employment of productive capacity. Complementary aspects of the economic decline were a lagging rate of growth in total consumer income and expenditure, and a sharp fall in private capital investment.

However, of even greater concern than the 1960 statistical record is the behaviour of the successive economic cycles throughout the post-war period. There have been three full ups-and-downs in the Canadian economy since the end of World War II. We are now experiencing a fourth. A review of these brings to light an emerging and disturbing pattern.

First, it may be noted that the duration of the expansionary phase of each business cycle has shortened. Second, the indexes of industrial output and of employment have risen less in the later cycles than in the earlier ones. Finally the fall in these indexes has been progressively greater.

To find a full explanation for these disturbing trends one must look to some of the more fundamental changes that are taking place in the Canadian economy. This is not to suggest that the short-run forces that account for periodic ups-and-downs are not important. I do suggest, however, that they may be less significant in shaping our current problems than the longer-run forces and, therefore, not as crucial in our policy consideration when we seek the necessary solutions.

One basic cause of the economic problem we face in Canada is the fact of lagging effective demand — domestic and foreign. This demand underpins our economy. It has not been growing fast enough to maintain the high level of activity we must have if our increasing manpower resources and our investment in plant are to be kept fully employed.

This was not the case in the first post-war decade when a variety of circumstances and events combined to provide a strong stimulus for economic growth. Then there was a pent-up consumers' demand for goods and services unavailable during the war years. There was a similar demand from producers to replace and add to their worn-out plant and equipment. Together these had a tremendous impact on employment and output. This was followed by the Korean War which necessitated increased government expenditures and expanded world markets for our raw materials. Subsequent years saw a particularly intensive search for, and development of, our raw materials and heavy capital expenditures to meet this need. Population growth and immigrations further strengthened overall demand for the output of Canadian industry.

Since 1956-57 these particular demand factors, domestic and foreign, or equally effective substitutes, have been lacking. Our domestic consumption has lost a good deal of its strength. Without substantial improvement in the income levels of the lower third of our population, without release from the demand destroying cost-price squeeze on our agricultural industry, little dynamic support will be found at home. The recovery of the European economies, and their tremendous growth in output and technology, has restrained a continuous expansion of foreign demand. The growth of large trading blocs is further jeopardizing our foreign markets.

This is not to say that I believe for one moment that further Canadian prosperity must be founded on the devastation of war and famine abroad. Nor can we afford to rely on the creation of artificial wants at home. My point is that the support for the economic growth we have known in the past no longer applies. Consequently it is crucial that we find an effective and acceptable alternative. Such an alternative exists. It exists in the vast potential of genuine but unmet needs of human beings both at home and abroad. I suggest that Canada must move — and move with a deep sense of purpose and urgency — in these new directions. In so doing we achieve not only our long-run economic health but our political and social salvation as well.

It will not be easy to underwrite an adequate rate of growth for the Canadian economy. To do so will require new departures in public policy, not only in specific programs but

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even more in our fundamental approach and the technique of operation. It seems to me inescapable that to achieve our essential goals we must emphasize the instrument of government, and that governments in turn must adopt that technique of purposeful planning. There is a world-wide trend in this direction — in the mature democracies of Europe and in the under-developed but newly-emerged nations of the world. The United States and Canada are not isolated from this development, as current trends in Washington and Ottawa clearly indicate. Indeed one is intrigued by recent political events which suggest that at long last some of the superstitious belief in the natural divinity of the market place, so long cherished by some political parties in Canada, is at last succumbing to the logic of deductive reason and observed fact. I am hopeful, even if very doubtful, that this new insight will in due time penetrate the outposts of reluctance so familiar to us here in Saskatchewan.

This brings me to a review of the Saskatchewan economic scene. Here the lagging pace of the national economy has been clearly reflected in a number of ways during the past year. Divergent trends tend to blur the overall picture. My main impression, however, is that while a distinct levelling-off in our accustomed rate of growth has occurred, on the whole the provincial economy has stood up extremely well.

It is good to reflect that the strongest productive sector of our economy once again proved to be agriculture. Like most of my colleagues in the Legislature, I am, in years and relationship, still close enough to a Saskatchewan homestead to derive considerable satisfaction from this fact. The favourable fall moisture conditions in 1959, together with timely rains during the early growing season, led to a near-bumper wheat crop of some 308 million bushels, with a per acre yield one-third higher than the long-term average. All told the harvest of principal field crops rose to 530 million bushels, some 42 per cent of the Canadian total. On the strength of this large grain crop, the composite index of physical volume of agricultural production climbed at least by 25 per cent over the previous year.

The farm economy, moreover, continued its efforts to diversify production, not only in different grains but also through an expanding cattle population. Unfortunately the price situation for livestock and related products gave little incentive in this direction. Cattle marketings remained fairly steady in volume but prices were distinctly weaker. Hog production was sharply curtailed following rapidly upon the major decline in prices in 1960, and

the June 1 survey showed that the number of hogs on Saskatchewan farms fell to its lowest point since 1956. It seems valid to argue that some certainty of price will better guarantee diversification than will be hoped for, long delayed income from wood lots and Christmas trees.

In dollar terms, cash income from the sale of farm products is estimated at \$545 million, a little lower than the previous year. Somewhat higher grain marketings, helped to offset a decline in livestock income. Supplementary receipts, including P.F.A.A., federal acreage payments, and the provincial-federal compensation for loss of crops covered by the early fall snow of 1959, were considerably higher. Adding these payments, farm cash income rose to \$587 million, an increase of 2.5 per cent for the year.

In spite of a further worsening of the cost-price squeeze, the net income picture for 1960 shows a greater improvement. The index of farm prices fell by 7 per cent during the year, while farm costs moved up by 2 per cent. Fortunately total operating outlays increased only fractionally, even though a much larger crop had to be handled. Farm net income is estimated at about \$380 million, some 50 per cent higher than in 1959. A large part of this income is of course held in the form of unsold farm stocks of grain.

As for the non-farm commodity sectors of the provincial economy, a rather mixed picture emerges from 1960. In mineral production, the gross value of output is estimated at about \$214 million, up slightly for the year. In this sector, declines in the value of metals, particularly in uranium mining, were counter-balanced by a further advance in the value of oil production. The latter figure rose to about \$106 million, and average daily production amounted to 145,000 barrels, about 28 per cent of total Canadian output. In the manufacturing industries current monthly data indicate some contraction of output. However final revision usually results in an upward adjustment of the annual total, and on this basis the value of factory shipments is expected to round out at about \$350-\$360 million, approximately the same as in 1959. Electric power continued as a particularly dynamic sector as increasing consumption boosted gross revenues to an estimated \$42 million, a gain of some 14 per cent for the year.

Early in 1960, the capital investment survey indicated a rise in total investment intentions in Saskatchewan to a record figure of \$628 million. However, it now appears that this high level has not been fully realized. Even so total capital investment of all kinds will reach approximately \$600

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million for the year. In per capita terms this was significantly ahead of the national average, an advantage maintained by the province for the greater part of the past decade.

The overall measurement of commodity output is best reported in terms of net value of production. This eliminates the duplication which arises when the products of one industrial sector are used as the raw materials of another. In 1960 the total net value of commodity production rose to slightly more than \$1,000 million, compared with \$874 million in 1959.

This strength in commodity production has sustained a high level of activity in the service industries. For example, after a slow start retail trade picked up during the year and is reported at only 2 per cent below the record high of \$942 million reached in 1959. Reflecting the trend in total output, personal income receipts rose to an all-time high of some \$1,350 million or \$1,485 per capita.

In my review of the national economic scene I made reference to the very serious problem of unemployment. This is a nationwide problem, but some regions of the country obviously have been hit far more seriously than others. The January, 1961 labour force survey shows unemployment rates of over 13 per cent of the labour force in British Columbia, 14 per cent in Quebec, and 15 per cent in the Atlantic Provinces. No official breakdown is available for each of the three prairie provinces, but comparative data on unplaced applicants indicates that unemployment in Saskatchewan itself is not as severe as for the region as a whole. Nevertheless it is appreciably worse than one year ago and the province is determined to use its fiscal and other resources to the fullest extent possible in creating jobs for those out of work.

I come now, Mr. Speaker, to a brief outline of my expectations as to the year ahead. Everyone will acknowledge that predicting future economy events is a hazardous job. However, an understanding of the outlook provides a necessary basis for the budget, and it must therefore be tackled.

The first problem is that of appraising the general impact of national and international forces. As might be expected, there are a number of conflicting signals. There is some evidence that the high level of activity in the overseas economics which stimulated some increase in Canadian exports in 1960 has already levelled off, with consequent

repercussions on prospects for exports this year. The disturbing indications of a more restrictive tariff policy on the part of the federal government could also affect our ability to persuade other countries to purchase our surplus production.

On the other hand, it is widely expected that the new administration in Washington will underwrite a considerable effort to revive the United States economy, with resulting favourable effects in Canada. Further, two intersecting indicators within our own country developed late in 1960. These were a revival of residential construction and the change in the trend of business inventories from that of accumulation to a substantial depletion. These factors have been interpreted as possibly signalling an upturn in Canada rather earlier in 1961 than had been thought likely only last fall.

However, if my general appraisal of long term trends is correct there is, unfortunately, little reason to hope, in 1961, for any vigorous and rapid recovery from our existing recession. Putting the evidence together, there seems reason to expect that Canada's total production of goods and services in 1961 may rise to just about \$36 billion. This would be an increase of as little as 2 per cent following on the meagre 2.5 per cent rise of 1960.

The outlook at the provincial level is shaped in part by this national prospect and in part by more local conditions. So far as the provincial industrial sectors are concerned, I anticipate some increases in mineral production, manufacturing and electric power. Enlarging oil markets, the resumption and expansion of potash mining, and sharply increased activity in gold exploration in northern Saskatchewan are all in prospect. Construction and investment are particularly difficult to forecast, especially because of the conflicting pressures of unmet needs and high interest rates. I feel reasonably confident, however, that the very high levels of recent years will again be substantially maintained.

As for agriculture, there is currently a good deal of concern regarding sub-soil conditions because of the very dry fall. Obviously it would be unwise to look for a harvest comparable with that of 1960, and we might therefore anticipate some decline in farm output. As I indicated previously, however, farm stocks of grain have been built up again to some degree. Even if wheat export sales in the 1960-61 crop year exceed 300 million bushels, the carryover of these stocks in Saskatchewan into 1961-62

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is likely to approximate 70 million bushels. Farm deliveries during this year, therefore, are not expected to fall and cash income from grain should be well sustained. Little change is also foreseen in the livestock situation and total farm cash income is likely to remain close to the 1960 level.

In summary, then, it seems probable that the non-agricultural industries will show some further modest growth during the year ahead. The overall advance, however, may be affected by the moderate fall in the agricultural sector, and I therefore anticipate that the provincial economy as a whole will move slightly above the plateau achieved in the current year. Our budget policy for 1961-62 has been framed within this and the suggested national context.

Before an appraisal of our provincial prospects can be complete there must be some comment on the important item of Federal-Provincial relations. It is well known, Mr. Speaker, that the state of the Canadian economy affects the Saskatchewan budget very directly. The Province's revenues tend to rise and fall with the total economy. This is particularly true with regard to the amounts received as a result of the arrangements to share the income and corporation tax yields in Canada.

Now it is quite true that Ottawa, by virtue of its constitutional authority and its more extensive economic power, has the competence to influence the direction and the tempo of economic development in a way denied to any single provincial government. But it is also true that a wholly adequate federal economic policy can be achieved only with the co-operation of all ten provinces. For this reason the government of Saskatchewan has for years been advocating a Federal-Provincial Economic Development Program. It would have two objectives: to increase the rate of economic growth in Canada, and in doing so to provide employment-creating projects during recessions. As recently as October, 1960, the Premier proposed a Federal-Provincial Full Employment Program under which the federal government would make it possible for the provinces and local governments to increase expenditures on schools, hospitals, university buildings and roads during recessions.

Unfortunately the response of the Federal Government to these two suggestions has been quite ineffectual. In fact one response has been a curiously perverse one: a "baby budget" which accentuates the difficulties of provincial financing rather than relieving them. The Government of Canada's new withholding tax makes it more difficult and more costly for the provinces and municipalities to borrow outside of Canada. The resulting increased pressure on the



Canadian market will almost certainly maintain unreasonably high interest rates at home. The net effect will probably be a reduction in public works expenditures and increased costs for those which are undertaken.

As to the fiscal or tax-sharing arrangements between Ottawa and the provinces, Saskatchewan along with all the other provinces, has repeatedly urged upon the Federal Government that fiscal arrangements must be improved if adequate provincial and local government services are to be maintained.

One key to improved fiscal relations is a more equitable provincial share of the income and corporation tax fields — more than our present 25 per cent. The second key is the maintenance of adequate equalization payments, payments which will ensure that all provinces receive equal benefits from income and corporation taxes.

We have just returned from the Dominion-Provincial Fiscal Conference. I regret to say, Mr. Speaker, that the changes in the tax sharing arrangements proposed by the Dominion will not benefit Saskatchewan or its local governments in any way. They simply freeze us to the level of payments we would have received under the present arrangements.

Federal payments to all the provinces will rise by only \$17 million. Ontario will receive an increase of \$18 million; the Atlantic Provinces together will receive only \$5  $\frac{3}{4}$  million more; Saskatchewan, Quebec and Manitoba will receive no more, and Alberta and British Columbia will receive less.

What is more the new plan departs from the equalization principle in a dangerous way. Currently Saskatchewan receives an equalization payment which guarantees us the same benefit from income and corporation taxes and from succession duties as the two richest provinces. Under the new plan the payment will bring us only to the national average. This represents an abandonment of the equalization principle and the substitution of a principle of “average-ization”.

The equalization formula is further weakened by the proposal to equalize to the national average yield not just of these national tax fields, but these plus 50 per cent of provincial natural resources revenues. Just why this one provincial revenue source was singled out was not satisfactorily explained to us.

In dollar terms these two changes in the plan will

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reduce Saskatchewan's equalization payment from about \$21.5 million to \$8.6 million. Approximately 60 per cent of this loss is due to "average-ization", and 40 per cent is due to the unaccountable inclusion of natural resources revenues in the formula. These losses are only offset by a "guarantee payment" which brings Saskatchewan's total payments back up to where they would have been under present arrangements.

The second major change in the tax arrangements is that the provinces will in future be required to impose their own income and corporation taxes. If they wish they may ask Ottawa to collect these taxes for them, on condition that the provincial tax laws are identical with the federal tax law except for rates. The abandonment of the tax rental system means we can expect no leadership from the Dominion in preventing a return to the "tax-jungle" of the 1930's. More important, it means that the Federal Government will have lost the last vestige of its control over the use of income taxation as a means for combating unemployment and stimulating economic growth.

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One feature of Ottawa's proposal could be misunderstood. The promise is made that federal personal income tax will progressively be reduced, yet the very next sentence says this does not mean that federal taxes will not otherwise be raised: What it really means is that "average-ization" payments will rise slightly over the next five years, that the provinces will have to increase their taxes as Ottawa reduces theirs, and in Saskatchewan's case that we will lose a corresponding amount from the guarantee payment.

I turn now, Mr. Speaker, to the Province's finances. The Public Accounts for 1959-60 were tabled at the beginning of the Session. They reveal a surplus of revenues over expenditures — both ordinary and capital — of more than \$2 <sup>3</sup>/<sub>4</sub> million. This surplus, combined with sinking fund earnings, reduced the Province's net debt by more than \$3.5 million. Consequently our net debt moved from \$20.9 million to \$17.3 million.

Revenues rose from the previous year's level of \$135 million to nearly \$143 million. The principle increases in 1959-60 came from the Dominion-Provincial tax sharing payments, and from the education and hospitalization tax, the gasoline tax, and liquor profits. These increases were offset to some extent by a decline in non-recurring oil revenues, this being a part of the general slump in Canada's oil industry.

Expenditures rose from \$132 million to \$140 million. One major increase was in the Department of Agriculture, where some \$3 million was paid to farmers whose crops were buried by the untimely snow-falls of 1959. Another increase was in the Department of Education where expenditures rose by nearly \$5 ½ million. Also the Municipal Road Assistance Authority paid out an additional \$1.2 million in road grants to municipalities.

In the current year the picture has not been as bright. Revenues forecast at close to \$149 million will fall short of that mark by some \$3-4 million. The reason for this is not hard to find. A year ago the Federal budget was based on a 6 per cent rise in the Gross National Product. Saskatchewan's budget was based on a 5 to 5 ½ per cent rise. Now a year later, we find the Gross National Product will have risen by less than 3 per cent. This illustrates an earlier reference to the effect that "predicting future economic events is a hazardous job".

The effect on Saskatchewan has been immediate and direct. Dominion-Provincial tax sharing payments will reach only \$38 million instead of the expected \$42 million. This decline has been partially offset by a \$1.8 million payment on account of the fiscal year, 1958-59. Sagging retail sales across most of Canada have been paralleled in the Saskatchewan scene – at least in the first half of this year. The result is that our education and hospitalization tax collections will likely be short of the estimated level by about three to four hundred thousand dollars. Even so the amount collected will exceed that of the year before.

Further, despite an actual rise in oil production, our oil revenues will probably fall short of the estimate. One reason is that a larger proportion of petroleum royalties will accrue to the School Lands Fund than was anticipated in the original estimates. A second is that technical difficulties have arisen in certain oil fields which will reduce farm-out and net royalty revenues in these areas. Third, the sale of drilling reservations has been less lucrative, owing to a general slow-down in Canada's oil industry.

Finally, the marketing difficulties being experienced by Canada's uranium industry have had their effect on Saskatchewan. Instead of uranium royalties of more than \$1 ½ million, we will likely collect approximately \$800,000.

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The effect of Canada's current recession is also being felt on the expenditure side of the budget. While, as I have indicated earlier, unemployment in Saskatchewan is less serious than in other parts of Canada, nevertheless our social aid bill will rise by about \$ 1 ½ million. In addition, payments under the Municipal Winter Works Incentive Program will amount to over \$400,000.

To make it possible to meet these and other pressing needs, expenditures on other programs were cut during the year. As a result our total expenditures will not exceed the estimated level of \$148 million. In fact, they will likely be below that figure.

The net effect of revenue and expenditure changes will be a budgetary deficit of some \$3-4 million — the amount by which our revenues will have failed to meet expectations. Let me emphasize, Mr. Speaker, that this does not mean that we will be borrowing this amount to pay operating expenses; it means that of \$24 million of capital expenditures on highways, agriculture and public buildings, our revenues will cover about \$20 million and the balance will be borrowed. This method, of financing by borrowing for such capital expenditures, has been used by the majority of Canadian provinces for many years.

Honourable Members will notice that the present financial problem is due not so much to inherent difficulties peculiar to the Saskatchewan economy as to massive problems of the whole Canadian economy.

I remind you again that Canada is suffering from its second recession in four years. Unemployment, as a percentage of the labour force, ranged between 2 ½ and 5 per cent through most of the 1950's, whereas in 1958, 1959 and 1960 it has ranged between 5 ½ and 7 ½ per cent. From 1951 to 1956 Canada's production rose by an average of \$78 per person per year. But from then until now it has risen by less than \$25 per person per year.

Saskatchewan is not insulated from these difficulties. As our industrial development and diversification proceeds, our economy grows more and more sensitive to a greater number of forces. Not only does it depend on the weather and the demand for wheat, but it depends increasingly on markets — local, national and international — for a steadily widening range of products. As our contribution to the national economy increases in amount and in variety, so does our interdependence increase. The state of the national economy is therefore rapidly coming to have a much greater significance

for Saskatchewan. If the Canadian oil industry faces a slump Saskatchewan's oil industry cannot avoid being affected. If the nation's uranium industry loses contracts, Saskatchewan's industry will do the same. Unemployment in industrial areas means less purchasing of agricultural produce. Conversely, if Saskatchewan's agricultural industry is depressed, industry in central Canada suffers. The lesson to be learned is that much of Canada's prosperity — or lack of it — is not divisible. The implication is that federal governments simply must learn to give more effective leadership in combating recessions and in stimulating economic growth.

However, the Government of Saskatchewan, while regretting the inadequacy of federal leadership and knowing that provincial powers are limited, must do what it can to maintain employment and resultant production and income. That is why we have tried to maintain essential expenditures, and why we were willing to deficit finance. For this I offer no apologies. Of this I shall have more to say later.

First, however, let me outline the borrowing program which the Treasury undertook in 1960 to finance capital expenditures and loans to the Saskatchewan Power Corporation and Saskatchewan Government Telephones. The program for the Saskatchewan Power Corporation totalled \$71.5 million. This included over \$16 million for the purchase of properties in the Hatton-Many Islands gas field, an investment which will ensure future supplies of natural gas to Saskatchewan consumers at minimum cost. It included the purchase of the National Light and Power Company, thus providing for more effective use of power production facilities. The Saskatchewan Government Telephone program required \$6  $\frac{3}{4}$  million. Finally a loan of \$2  $\frac{1}{2}$  million was made to the Government Finance Office. These loans were financed by the sale of debentures to a variety of markets.

A total of \$9.5 million of one to two year debentures was sold by negotiation in the Canadian money market. Long-term debentures in an amount of \$15 million were sold publicly in the Canadian market, and an issue of 40 million Swiss francs (about \$9,000,000) was sold in Switzerland.

Private sales of debentures included: a \$9 million long-term issue for the purchase of gas field properties; a \$2,650,000 long-term issue for the purchase of the assets of the National Light and Power Company; a \$7  $\frac{1}{2}$  million three-year debenture issue sold to three chartered banks, refunding in part an earlier loan; a \$3 million long-term issue sold to make loans to the Saskatchewan Power Corporation;

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and 2 issues — one for \$10 million and one for \$2 ½ million — long-term issue — sold to government trust and pension funds. This year's deficit will be financed by a similar issue sold privately to Government funds. With your permission, Mr. Speaker, I should like to include a list of 1960's debenture issues.

<u>Date</u>	<u>Maturity</u>	<u>Coupon</u>	<u>Payable</u>	<u>Amount</u>
Apr. 1, 1960	Apr. 1, 1980	5 ¼%	Canada	\$9,000,000.00
Apr. 1, 1960	Apr. 1, 1980	6	Canada	7,500,000.00
Apr. 12, 1960	Apr. 1, 1961	2	Canada	1,000,000.00
Apr. 13, 1960	Jan. 3, 1961	2	Canada	1,000,000.00
Apr. 14, 1960	Apr. 14, 1961	2	Canada	1,000,000.00
Apr. 15, 1960	Oct. 15, 1962	2	Canada	1,000,000.00
Apr. 20, 1960	Nov. 20, 1961	2	Canada	1,000,000.00
June 1, 1960	June 1, 1980	5	Canada	2,650,000.00
July 1, 1960	July 1, 1963	5	Canada	7,500,000.00
July 15, 1960	July 15, 1980	5 ½	Canada	7,500,000.00
July 15, 1960	July 15, 1975	4 ½	Switzerland	40,000,000.00
				Swiss francs
Sept. 30, 1960	Sept. 30, 1979	5	Canada	\$10,000,000.00
Nov. 15, 1960	Nov. 15, 1965	4 ¾	Canada	2,500,000.00
Dec. 1, 1960	Dec. 1, 1961	2	Canada	4,500,000.00
Dec. 1, 1960	Dec. 1, 1970	2	Canada	1,000,000.00
Dec. 1, 1960	Dec. 1, 1975	2	Canada	2,000,000.00

There are, of course, critics who have argued that the Province's debt is rising too fast. They are wrong on two counts. First, the debt we have incurred has been self-liquidating debt. This contributes to Saskatchewan's growth thereby increasing our financial capacity. Surely this is cause to applaud not to complain. Second, the true measure of a province's financial position is the net debt. This use of net debt as a measure of our financial position is the same measurement as is used by the Government of Canada. It is the same one used by all Canadian provinces when they sell debentures in U.S.A. The net debt of the province of Saskatchewan has been going down steadily, until it stood at March 31 last at a very manageable \$17 million. The fact of this reduction to this manageable level recommends Saskatchewan securities to the investing public.

A review of the province's finances in 1960-61 would be incomplete without reference to the Crown Corporations. The general levelling of business activity had some effect on the overall financial results of our publicly owned enterprises. However, the corporations without exception reported surpluses for the year. In two or three cases,

special conditions brought about significantly better revenues.

On the basis of statements to date, the net earnings of the Corporations, other than Power and Telephone, total \$1,290,917. This surplus amounts to a return of 15.27 per cent on the advances outstanding at fiscal year-ends — a rate of return obviously more than adequate to cover any interest payments. Advances outstanding were reduced slightly to \$8,452,688 by the return of capital to the Government Finance Office. The amount paid into the budgetary revenues of the province in the next fiscal year will again be \$1,000,000.

In comparison with the previous year, the earnings of the Timber Board show a considerable decline, due primarily to the sharp fall in lumber prices in both domestic and export markets. An increase in charter business, on the other hand helped the northern airways to achieve a small operating surplus. The salt cake division Saskatchewan Minerals was able to reduce costs and expand sales in both Canada and the United States, in spite of vigorous competition from other Canadian, American and European suppliers. The company's net earnings rose 44 per cent to a record \$326,860.

Capital expansion continued as a major activity by the public power, gas and telephone utilities. By the end of 1960, loans outstanding from the province to Saskatchewan Government Telephones and Saskatchewan Power Corporation totalled \$375,000,000. Gross revenues, before allowances for interest deductions, rose to \$18,682,993, but net revenues declined to \$3,004,280.

As the general contribution of the publicly-owned business sector to the overall economy, it may be noted that the total business volume rose from \$79 million in 1959 to \$90 million in 1960. Salaries and wages totalling \$26 million were paid to over 5,800 employees on staff. Grants and payments to municipal governments in lieu of taxes increased sharply to \$1,433,000. The actual book value of assets, net of depreciation, held by the companies now stands at close to \$500,000,000.

**SUMMARY OF RESULTS OF OPERATIONS OF CROWN CORPORATIONS  
FOR THE FINANCIAL YEARS ENDING IN 1960**

(before interest)

	<u>Advances at</u> <u>Year-end</u>	<u>Surplus</u> <u>for Year</u>
Saskatchewan Government Airways .....	\$600,000	\$33,411
Saskatchewan Timber Board .....	3,877,000	235,119
Saskatchewan Government Insurance .....	...	432,602
Saskatchewan Guarantee and Fidelity .....	365,688	66,319
Saskatchewan Fur Marketing .....	100,000	12,402
Saskatchewan Clay Products .....	600,000	37,703
Saskatchewan Sodium Sulphate .....	1,085,000	326,860
Saskatchewan Government Printing .....	275,000	68,730
Saskatchewan Transportation Company ....	<u>1,550,000</u>	<u>77,771</u>
	<u>\$ 8,452,688</u>	<u>\$1,290,917</u>
Saskatchewan Power Corporation .....	\$298,411,379	\$13,532,835
Saskatchewan Government Telephones .....	\$76,614,263	\$5,150,158

With that background before you, I come now, Mr. Speaker, to the presentation of the 1961-62 budget.

The budget of a government is the financial plan setting forth sums of money which will be raised in various ways and which will be spent for various purposes. It is that — and much more. It is more because its motives are not just financial, they are human. The budget is a reflection of social and economic philosophy. It deals not just with dollars and cents but with hopes and human values.

More specifically, a budget is simply a statement by the government of the services which it believes can best be provided co-operatively — rather than privately. This statement finds its authority in the people who elected the government; it is their statement of the services which they wish to provide for themselves, collectively. It is a statement which implies a willingness to pay for those services as taxpayers rather than to try to buy them as private consumers.

Now I have been in politics for too long to have any illusions about the happiness with which people pay their taxes. But that same experience has contributed recognition



of the value which people generally put on those services which they purchase through their collective tax contribution. Consequently I am convinced that the public would not consciously choose to eliminate useful and desirable public services for the simple purpose of reducing taxes. After all, the provision of public services — education, health, highways, resource development — based on using the resources of the people, is the means by which each individual gains maximum opportunity for personal development. The quality and quantity of this opportunity is a main component of individual freedom.

The budgeting process begins in fact with the public discussions which precede the electorate's choice of a government. The elected government is then obligated to decide the timing and the extent of public programs to meet public needs and proceeds to formulate a budget. In doing so it is, of course, essential that the side effects of the required taxation be judged against the benefits of the public services. This is a necessary part of the process. But it is simply irresponsible to argue that taxes are too high, if to reduce them is to dispense with services which individually most of us could not provide for ourselves, or to dispense with services which have a higher value than alternative private expenditures.

I do not mean by this that all government programs are sacrosanct, or that all administrative expenditures can be defended. We in government have a responsibility steadfastly to weed out obsolete programs and rigorously to pare administrative expenses. I might say, Mr. Speaker, that during the last seven months I have had some considerable experience in these two exercises, I believe my colleagues will testify to this.

But I know too that my colleagues support me in the view that expenditures on education, on health and welfare services, and on public investment for the development of a stronger economy, are vastly more important than many expenditures which have become symbolic of an affluent society. I simply don't believe that new styling for automobiles and pastel coloured refrigerators and a wider variety of table wines are more important than the co-operative provision of basic public services.

My second general observation about public finance is that budgets should promote stable economic growth. Governments do have a responsibility for promoting and stimulating, in fact for direct investment to make possible, a more productive economy. It will be realized that provincial

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governments are severely limited in what we can do alone, and that we must be prepared to co-operate with and indeed to spur the federal government, the government which has the major responsibility and opportunity in this field.

These are the guiding principles which my colleagues and I employed when we prepared the budget for 1961-62. Here are the figures. The budget provides for expenditures of \$147,414,930, revenues of \$144,749,060 and a budgetary deficit of \$2,665,870. In addition, it provides for loans of \$61 million to the Saskatchewan Power Corporation, Saskatchewan Government Telephones and the Industrial Development Fund. It also provides for net debt retirement payments of \$6 million.

Honourable Members will realize, Mr. Speaker, that this is the first budget in many years in which the revenues do not exceed both the ordinary plus the capital expenditures. There is good reason for this. I have already said that the Canadian economy shows few signs of an early recovery from the recession which has persisted now for almost a year. Consequently my colleagues and I, determined that every effort shall be made by the government to maintain employment and income, decided that we would deficit finance. That is, we decided to borrow to the extent that is reasonable possible in order to sustain public investment in human and economic development.

I think everyone knows why this is desirable. To the extent that governments maintain their expenditures, they tend to shore up employment and sustain personal incomes. To the extent that these expenditures are wealth producing they make more certain the sources of payments for tomorrow's services.

The obstacles to an even more extensive provincial effort are three in number. First, despite its major responsibility for combating the recession, the federal government has failed to take effective action. I have already discussed what I consider to be the shortcomings of the national policy and effect on Saskatchewan finances. Secondly, our revenues are not expected to be quite as high as in the current year. Finally, Saskatchewan, as does every province, faces limits in the amount of money which can be reasonably borrowed.

As to the province's revenues, I anticipate that returns from the education and hospitalization tax, the gasoline tax and liquor profits will be up over the actual for the current year.

The main reason then for expecting revenues less than for the current year is our estimate that tax-sharing payments from Ottawa will amount to \$38 million. This is slightly less than this year's \$38.7 million, and substantially less than our original estimate of \$42 million for the current year. The other anticipated decline is in oil revenues. The same reasons that brought about a reduction this year will be operative in 1961-62, and we expect revenues to level out this year at about \$500,000 below the current figure. Let me emphasize again, Mr. Speaker, that this is not because total oil production is expected to decline, but rather because of a shift in the location from which oil is being produced and because of the technical adjustments.

With regard to borrowing, there is after all a rational limit for governments, just as there is for individuals and private businesses. Our 1961-62 program calls for borrowing a total of \$69 million: some from our own Saskatchewan people by means of the new Saskatchewan Savings Bonds, some from the Canadian money markets, some from the Canadian bond market and some, to the extent necessary, from the United States market. This investment is primarily necessary because of steady increase in power consumption, because of the distribution of natural gas to additional communities and because of the continued growth of our telephone system.

Let me add at this point that I fully intend to balance the provincial budget in the long run. But while this implies surpluses in periods of economic buoyancy, it must also imply deficits in depressions.

I turn now to the programs and the expenditures provided for in next year's budget. Honourable Members will notice that total expenditures have been set at a level slightly below those of the current year, and that the appropriations requested for many departments are at or below the estimates for the current year. Despite the natural cost increase for all departments, this was achieved after a careful scrutiny of all programs and expenditures.

Our first effort was to find administrative economies; to pare down expenditures on supplies, on travelling and on equipment. In addition this has necessarily involved the elimination of some permanent positions, in the expectation that the public service — which is a top flight public service, Mr. Speaker — might be able to produce the same good work with somewhat smaller numbers.

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Next we examine all our programs to search out any which were obsolete or which were contributing, by comparison with their cost, relatively little to the public good. This was an instructive experience. The fact is that very few programs fell into this category. It is an easy matter for some people to say glibly that millions of dollars can arbitrarily be cut from any government budget; it is quite another matter to justify such a statement. My colleagues and I believe the programs contained in the budget cannot be sacrificed without imposing resultant disadvantages on our people. Nevertheless, we did eliminate some lesser programs, and we did remove “extras” and “refinements” that had crept into others.

Finally, it was necessary reluctantly to postpone a good many capital expenditures. This was done only after having made all the other expenditure reductions, after having decided upon our revenue policies, and after having agreed upon the policy of deficit financing.

Nevertheless total expenditures on economic development next year will exceed \$71 million. The Saskatchewan Power Corporation will spend about \$46 million on plant expansion and improvement. Of this \$16.1 million will be spent on the Squaw Rapids hydro-electric development and over \$3.5 million on the South Saskatchewan River Dam Project. Over \$6 million will be spent on power distribution in urban and rural areas. The Corporation will also invest approximately \$8 million in the production and distribution of natural gas. Of special significance to the construction industry is the beginning of the new head office building — a project which will provide direct employment for many construction workers and for many other workers indirectly because of the use of Saskatchewan products such as steel, bricks and cement.

Saskatchewan Government Telephones will embark upon an \$8.4 million investment program, some of it to be financed by corporation funds. Taken together the construction projects of the two major corporations will exceed the 1960 program by more than \$1.5 million. The smaller Crown Corporations will spend an additional \$490,000 on capital improvements, to be financed out of their own funds.

The Industrial Development Fund, in turn, will assist private industry to increase their capital expenditures. It is difficult to estimate the level of demand for such loans in 1961, but I shall be surprised if it does not exceed

\$2  $\frac{3}{4}$  million. Of this, \$1 million will be provided to the Fund by the Treasury and the balance will come from repayment of outstanding loans and from the Government Finance Office.

The Departments of Mineral and Natural Resources will together spend approximately \$6.7 million, down from the \$7.8 million estimated for the current year. Some program contraction has been judged to be acceptable in view of the very satisfactory state of our resources inventories. A major reduction is to be found in the estimate for the construction of northern roads. Expenditures for this purpose will be reduced by about \$400,000, due in large part to the fact that the Ootosquen road will be completed this year, and that the Hanson Lake road will be nearing completion. While expenditures on development roads will be down, those on forest access roads will be greatly increased.

A new Dominion-Provincial program has been established, under which the costs of forest access roads will be shared equally by the Dominion and the provinces, up to a prescribed maximum. Saskatchewan's expenditure under this program will total \$232,000 in 1961-62.

Expenditures for the improvement of our agricultural industry will be maintained at current year's levels — approximately \$6.8 million. However, several changes have been made in the programs which should be drawn to the attention of the Assembly. First, work on the South Saskatchewan Dam is proceeding very favourably, and it is expected that expenditures this year will reach nearly \$10  $\frac{1}{2}$  million. Of this, Saskatchewan's share is \$2.6 million. This payment is shared between the Department of Agriculture and the Saskatchewan Power Corporation.

Irrigation studies, on the other hand, will be less costly this year than last, by \$200,000. The reason is that many of the first-stage surveys were done in 1960, and these must be analyzed in 1961 before the next major expenditures are undertaken. Also, as more of the farms in northern areas have achieved a more adequate cultivatable acreage, it has been possible to reduce expenditures on clearing and breaking land. Expenditures on northern community pastures will be maintained at current levels.

Like other departments, the Department of Agriculture was able to achieve many administrative economies, and in some cases to reduce the level of less important programs.

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By doing this it is possible to proceed in a very satisfactory manner with the new programs which were started this year. The Government has already announced that 40,000 farmers have been invited to participate in the crop insurance plan which was started last year. It has also been announced that modern plumbing systems were installed in more than 700 farms this year, and will be installed on 1,500 more during 1961-62.

The installation of sewer and water systems in Saskatchewan towns similarly will increase in tempo during 1961. Grants to municipalities from the Municipal Water Assistance Board will be increased from \$340,000 to \$600,000. Programs such as these satisfy several valuable objectives. They provide employment and stimulate business. They provide more desirable living conditions on our farms and in our smaller urban communities.

Unfortunately it is not possible for the Government to recommend that expenditures on roads and public buildings be maintained at current levels. As far as major public buildings are concerned, it is proposed to complete work and/or payments on the Regina Court House, the Provincial Technical Institute in Moose Jaw, and the office building in Meadow Lake. In addition, construction of the Geriatric Centre in Swift Current will proceed, and \$200,000 is being provided for the provision of greatly needed facilities at the Regina Jail.

It has, however, been necessary to postpone work on the Regional Mental Hospital in Yorkton, and this I greatly regret. Payments to the Yorkton General Hospital to provide facilities eventually to be used by the Regional Mental Hospital are provided. Moreover, in line with our policy of steadily improving facilities for our handicapped people, funds will be spent on the renovation of the Prince Albert Sanatorium to convert it to a training school for retarded children.

Plans for a new government garage and for the proposed administration building in Regina will not be proceeded with. These projects have been deferred for the simple reason that the total of revenues and borrowed funds will not be sufficient to finance them.

For the same reason the Government is forced to proposed some reduction in expenditures on roads. Ordinary expenditures of the Department of Highways — largely maintenance costs — have been set at \$8,600,000. The condition of our highways is good, and the deferment of some regravelling and some

re-capping of bituminous surface roads will not likely cause a major inconvenience to highway users.

Construction expenditures by the Department of Highways have also been reduced. The reduction however, is not as extensive as might appear on the surface. The reason is that of the \$15.9 million budgeted for this current year, well over \$1 million was for carry-over of projects commenced in the previous year, while in 1961-62, owing to an excellent construction season in 1960, the carry-over will be much smaller.

Grants for municipal roads will also have to be reduced very slightly. In view of the necessity of reducing road expenditures, it seems reasonable that the market road system should share this reduction with the provincial highway system.

Honourable Members might be interested in the total that the Government proposes to spend on construction in 1961-62. In spite of the curtailments previously mentioned, the total to be made available for all types of construction in 1961-62 will be \$78.1 million, a slight increase over the corresponding figure of \$77.3 million for 1960-61. Included in this figure is provision for \$64.2 million in direct Government expenditures, to cover a \$5.3 million outlay on Government buildings, \$41.6 million on power and gas installations, \$12.5 million on Highways projects, and several smaller capital projects. Grants for construction purposes to local governments and to the University will be increased to \$13.9 million from \$13.3 million in 1960-61, to provide assistance for building Municipal Grid Roads, schools, hospitals and other capital projects. I am pleased, therefore, that the Government will maintain its current level of expenditure on construction, despite the difficult budgetary situation.

Expenditures on health and welfare services will rise in 1961-62, from \$41.9 million to \$43.2 million. The principle change in program will be the inauguration of a second training school for the mentally retarded. This will be located in Prince Albert thus making effective use of the present Tuberculosis sanatorium. This building is in excellent condition and the decision of the Anti-Tuberculosis League to transfer patients to other sanatoria makes it available for this purpose. It will accommodate about 350-400 patients.

Nothing gives me greater pleasure than the inclusion of

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funds for this purpose, Mr. Speaker. The waiting list of patients for the Moose Jaw Training School has been growing. It will be of enormous benefit both to the parents and the children themselves, to have this additional accommodation provided.

A second major increase is the amount provided for grants to hospitals for construction purposes. These grants will total \$1.5 million, compared with \$832,000 in the current year. As Honourable Members know, a new policy has been adopted for the payment of the capital costs of hospitals in Saskatchewan. Under this policy the Province will pay grants of up to 70 per cent of the construction costs of hospitals, after deducting federal grants. This will mean that the community and private hospitals of Saskatchewan will receive a major portion of their construction costs at the time of building, rather than having to finance the initial requirements largely by borrowing, and then having to bear the interest burden. The new formula also provides for the payment of outstanding hospital debenture debt as it comes due.

As to operating costs, the Hospital Services Plan has asked all hospitals to keep their expenditure increases in 1961 within three per cent of 1960 levels. It is true that changes in medical technology and improvements in nursing and other salaries make some cost increases inevitable. Generous allowances to provide for such improvements have been made for many years. But it does seem to us that the hospitals, like the Government, must bend every effort to find administrative economies and to eliminate the least essential services. It seems consistent with our economic situation, and indeed with desirable administrative procedure, that a special effort be requested this year.

The third major increase in health and welfare services is in social aid expenditures. These will rise from just under the \$4 million estimated for this year to \$5.5 million in 1961-62. The principle reason for this increase is that during a recession the number of social aid recipients inevitably rises. This was true in the current year, when we found our \$4 million estimate to be inadequate, and unless there is a strong upsurge in the economy the \$5.5 million will be required in the coming fiscal year.

Let me turn now to the budget for the Department of Education. In this field of government, expenditures serve



the double purpose of advancing individual opportunity and of investing soundly in the future. The quality of education we provide to our young people should be more than adequate — it should be superior. Consequently, the Government decided that, while the same administrative economies would be required in this department as in all others, program expenditures should be increased.

The first change proposed is greater provision for interest-free loans to students pursuing higher education. As Honourable Members will know, the Student Aid Fund, established in 1949, has been of enormous benefit to many thousands of students of the Teachers Colleges, the Technical Institute and the University. The Fund originally received a capital of \$1 million, and the loans were made from the earnings of the Fund and from the repayment of earlier loans. Over time, however, the demand has exceeded the funds available, with the result that in several years supplementary moneys have been voted. Next year, for example, it is proposed to vote \$166,000 compared with \$115,000 this year.

Clearly it is desirable to augment the capital of the fund in order to make it more self-sufficient and it is proposed to triple the capital of the fund, raising it from \$1 million to \$3 million. This we will do by transferring \$2,000,000 from the School Lands Fund. This transfer reduces the income of the Consolidated Fund, but makes the money available for student loans.

A second change is an increase of \$550,000 in the operating grant proposed for the University of Saskatchewan. This will raise the level of the grant to \$3,750,000 in 1961-62. As for capital construction, the University will continue its large expansion program at an accelerated secure capital financing for next year's program from other sources, including the Canada Council, the Jubilee Campaign, and loans under the National Housing Act for student residences, it has been agreed with the University to defer a portion of the Province's annual construction grant to a later time.

A third important advance in program is in the field of vocational and technical training. The gross expenditure by the Department for this purpose will be increased from \$621,000 in the current year to \$1,119,000 in 1961-62.

Finally, with respect to grants for local schools, in

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accord with our long-term objective, we propose a further substantial increase of \$3.1 million, thus raising the total vote for these grants to \$31.6 million.

As a consequence of these and other increases, the total vote for the Department of Education is raised by \$3,952,000, and the gross expenditure by the Department in 1961-62 will exceed \$42 million. On a net basis, total expenditures for education will account for 28 per cent of our total ordinary and capital expenditure.

By far the largest share of education expenditure is of course passed on to local school authorities in the form of grants. The proposed increases thus serve two purposes: they help to ensure greater educational opportunity for our young people; and they assist local governments in holding down property taxes and maintaining reasonable stability in the school mill rate.

We in the Government of Saskatchewan are as anxious that local governments have adequate revenues to discharge their responsibilities as we are anxious that the provinces have adequate revenues to discharge theirs. Evidence of this is found in the increasing provincial grants and loans to local governments. School grants, financial aid on behalf of municipal roads and streets, payments on behalf of social aid, and on behalf of operating costs of hospitals will this year use 36.5 per cent of the provincial government's revenue exclusive of that which we borrow. In the last decade school grants have risen from \$6,228,288 to \$31,600,000. Assistance for local roads has risen from \$816,210 to \$6,763,700. Municipalities have virtually been relieved of financial responsibility for social aid. Hospital operating costs are now borne by the Saskatchewan Hospital Services Plan. The anticipated provincial medical care program will undoubtedly — as did the provincial hospitalization plan — assume burdens which have traditionally been those of municipalities. Loans to local governments for capital expenditures have reached \$4,780,000 per year. Local government funds constituted 31 per cent of those issued by larger school units and 37 per cent of those issued by towns and villages.

Even with progress and assistance of this magnitude the provincial government is aware of the basic problems facing local governments. We are not convinced that just providing more money provides an equitable and effective solution to these problems. We are convinced that there are

more complex and subtle barriers which stand in the way of the development of maximum strength for local government. By maximum strength I mean that combinations of financial ability and administrative opportunity which leaves the greatest possible amount of discretion in the hands of elected officials of local governments.

It is for this reason that we are looking forward to studying the report of the Continuing Committee on Local Government. Local government organization chose for their representatives on this Committee persons whom, for the most part, they had already elevated to positions of leadership. These representatives were given a particularly difficult and time consuming public responsibility. They have performed this responsibility in a statesman-like manner. It remains for the rest of us to act similarly in a statesman-like fashion in evaluation their recommendations and deciding upon an appropriate policy.

May I return, Mr. Speaker, to the overall budget. Obviously a great many choices had to be made in preparing it. At the risk of repetition let me reiterate some.

Our first decision was to embark upon a program of economy measures in order to maintain desirable public services. Having done this we faced three alternatives. One was to reduce the level of capital expenditures. A second was to deficit finance. The other was to increase taxes. The Government decided to accept a combination of these three courses.

I have already outlined the main reductions in capital expenditures. Reference has also been made to our decision to deficit finance — a decision made possible because of our satisfactory debt position even if limited by our borrowing capacity.

Let me turn now to the sources of additional revenue proposed in this budget. First, the Saskatchewan Liquor Board has been asked to increase the prices of alcoholic beverages so as to bring about a \$1 million increase in revenues. When additional money for essential services is needed it is entirely consistent with sound public policy to seek that money by exacting a greater return from non-essential expenditures.

In the past four years highway expenditures have been rising much more rapidly than gasoline tax and motor license revenues, with the result that those revenues have been paying a decreasing proportion of road costs.

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During the last two years, for example, they paid only about 81 per cent of the Government's expenditures on provincial and municipal roads. On this basis, my colleagues and I concluded that it would be appropriate to raise the fuel petroleum products tax, effective April 1st, by two cents per gallon. This action will increase revenues by \$3 ½ million, and will mean that road users will next year be meeting the full amount of the Provincial Government's road expenditures. As these expenditures rise in the future, this percentage will undoubtedly fall again.

The Government is particularly aware of the strain that heavy trucks put on our roads and highways. Vehicles which are powered with diesel fuel undoubtedly receive a higher ton-mile return in relation to their fuel costs. For this reason the Government proposes to impose a 17 cent per gallon tax on diesel fuel compared with the 14 cent per gallon tax on gasoline. Such a differential is in effect in several Canadian provinces. In fact in the province of Ontario the tax on diesel fuel is 5 ½ per gallon more than on gasoline. This tax change will be effective April 1st.

I have now outlined the general scope of our proposals both for revenue and for expenditure. These proposals provide for the continuation of a high level of public services — services of which, I beg to submit, Saskatchewan people are proud. They provide as well for a substantial direct investment designed to encourage employment and to increase income. To finance our proposals has required additional borrowing and some increase in tax rates.

Mr. Speaker, I have referred at various points in the address to relationships between governments and to goals of government which are in my opinion valid. Reference has been made to means of achieving these goals and to our level of achievement in Saskatchewan. Now I express the hope, and indeed the conviction, that future budgets will provide for even more extensive services to the people of Saskatchewan — services which are a just reward for the investment of effort and money on the part of these people. That future budgets can do this, through the mutual co-operation of all levels of government, there is not the slightest doubt.

The main pre-requisite is the will to provide the leadership, the will to fashion the public services which serve the highest goals of society, the will to develop

our economy for the benefit of all members of the community. If we in government display this will, with sense and sensitivity, the people of Saskatchewan will be willing participants. They will in turn be the beneficiaries of public services, which not only quantitatively but qualitatively, guarantee a higher standard of living for all our citizens.

Mr. Speaker, I move that you do now leave the chair.

### DEBATE ON THE BUDGET ADDRESS

**Mr. A.H. McDonald** (Moosomin): — Mr. Speaker, I think we all agree that one year ago when we were given notice that the then Provincial Treasurer, was relinquishing his position, that he would be missed in this House, but I for one never dreamt that he would be missed, as much as he has been. This is a far cry from the election promises of last June. You will recall, Mr. Speaker, that the Government that sits opposite toured the length and breadth of this province with a slogan of “More abundant living” but I’m afraid that the speech that was presented this afternoon must have been written the night that the results of the Turtleford by-election were coming into this city.

We have constantly for many years listened to the people who sit opposite talk about a planned economy, of the so-planning of government expenditures to take care of the problems that we are now being flooded with. If this is an example of a socialist planned economy, then I doubt very much if my friends opposite will even be able to support this budget, let alone the people on this side of the House.

I have expected the Provincial Treasurer to refer to many of the increases in taxation that took place between the election last June and this House coming into Session. Not only have we the increases in taxation referred to this afternoon, but we have many and varied increases between June 8th and the commencement of this Session. These increases were brought into being without the consent of this Legislature, without the consent of anyone other than the Premier and the Cabinet. Now King Charles was beheaded for behaving this way, and I suggest, Mr. Speaker,

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that while the people who sit opposite, may not be beheaded . . .

**Mr. Thatcher:** — They were at Turtleford.

**Mr. McDonald:** — . . . there is a law against that, a lot of them are going to lose their seats, or a place to put them.

Now what taxes were increased between June and February 9th? First of all we had an increase in the hospitalization tax. Why weren't the people of this province told during the election campaign? Why were we not told last Session that in order to carry out this service it was going to be necessary to increase the hospital tax from \$17.50 for the individual to \$24.00, or from \$35.00 for the family up to \$48.00? Why were the people of this province not told this? In the event that they were not prepared to tell the people, why didn't they wait until this Session, and come into this House with a proposal to increase these taxes? For the simple reason, Mr. Speaker, that when the budget was presented in this House, one year ago, the gentleman who presented it, along with his colleagues who sit opposite, knew full well that the revenues they were predicting were far from the revenues that they could expect to receive. This budget of a year ago, Mr. Speaker, was prepared in such a manner as to enable this Government to go to the people of Saskatchewan, and attempt to explain to them how they were going to pay for the grandiose services that they were promised last June. The facts have borne this out. There wasn't even enough revenue available to complete the program that was laid down one year ago.

What are some other increases in taxation? What has happened to the rates charged for long distance telephone calls? Do you know, Mr. Speaker, that there are places in Saskatchewan today, where it is cheaper to get on a bus and driver over to your friend's place to carry out a conversation than it is to call him by long distance?

When we arrive at a situation such as this, Mr. Speaker, then I begin to wonder if we haven't exceeded the ability of the people to pay, for many of these so-called services that this Government are attempting to provide.

What about the automobile insurance rates? This has been discussed before, in and outside of this House. But, in my humble opinion, the Government that sit opposite

had every intention of increasing automobile insurance rates; even the manager of that Corporation, addressing his agents in annual meetings, told them that there would be an increase.

**Premier Douglas:** — He did not.

**Mr. McDonald:** — He certainly did. He told them not at one meeting, but a many meetings, that these increases would take place.

**Premier Douglas:** — It is not true, and you know it.

**Mr. McDonald:** — It is true, and you know it.

**Premier Douglas:** — You read the statement and see.

**Mr. Speaker:** — Order!

**Mr. McDonald:** — I will refer the Premier, if he thinks it isn't true, to a statement that appeared in the Yorkton newspaper. The manager of the Insurance Office confirmed this increase with his agents in that area.

What about court fees? We have an increase in court fees to the extent that apparently the law now is only for those people who can afford it.

Mr. Speaker, even the rent for you lot down at the lake has been increased, no a dollar or two, but from \$15 to \$60 dollars. This happened between an election, and this House coming into Session.

Now this more abundant living, Mr. Speaker, no doubt is being provided for some people. Most of them sit opposite. But, the average citizen in the province of Saskatchewan is being taxed to death.

Now, what is happening with the increases that were announced today? (I want to thank the Provincial Treasurer for being so kind as to have placed a copy of his address on my desk). I would have liked to have had it this morning, but I didn't get it. The increase in taxation, Mr. Speaker, is another example of planned economy. When this Government came into power, the gasoline tax was 7 cents a gallon; today it is 14 cents a gallon. The automobile today is used by far more people than some 16 years ago, and is becoming a utility or an object which is used today, not for luxury, but

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people today must use an automobile. Today most of us must use it in order to make a living. But here we have an increase from 7¢ a gallon to 14¢.

Lo and behold what has happened to the truckers and the trucking concerns, who had the initiative to go out and to buy diesel equipment in order to compete in the transfer of goods in this country? A reference was made that the fuel oil tax in the province of Ontario is much higher than it is on gasoline. Ontario is an entirely different picture than the province of Saskatchewan. The only competition with the railroads in Saskatchewan is trucks, but the great competition with the railroads in eastern Canada is not the trucking industry. It is the fact that there are waterways available in that province. This is adding insult to injury, Mr. Speaker. The truckers for years have not been allowed to carry the same load through the province of Saskatchewan as they have in other parts of Canada. This is a further step in the Balkanization of the province of Saskatchewan. It is estimated that last year alone the trucking industry spent \$8 million going around the province of Saskatchewan. How much are they going to spend next year?

The people in the service industries in this province, cannot afford to have this Government, or any Government, bring in taxes that are going to remove from our highways one of the greatest industries, or potentially great industries of this province, yet that will be the result of this increase in taxation.

Now I am pleased that the Government, and the Provincial Treasurer, have changed their thinking somewhat with regard to local government. I just want to refer to a part of a paragraph on page 25 of his speech, when he said this:

“We in the Government of Saskatchewan are as anxious that local governments have adequate revenues to discharge their responsibilities, as we are anxious that the Provincial Government should have adequate revenue.”

This is quite a change in the tune of my friends who sit opposite. It's only a few short years ago that local governments were told that unless they reorganized, they wouldn't get any further revenues. I want to read to you, Mr. Speaker, what was said at that time, and I'm



quoting:

“Further financial relief, however, should only be made to local governments, which are soundly organized and effectively administered. We cannot afford to waste the taxpayer’s hard-earned dollars on local government.”

Mr. Speaker, is the Government that sits opposite trying to tell us that local government in this province has been ineffectively organized and wasteful? I don’t think so, Mr. Speaker.

**Premier Douglas:** — Will you ask the hon. Member, what he is quoting from, I didn’t get it.

**Mr. McDonald:** — I’m quoting from a white paper, that was read to the local government conference, by the ex-Provincial Treasurer, and I’ll read one that you read to them too, if you like. I have here the statement of the Premier, to this conference. He said, that:

“Unless the basic reorganization steps can be anticipated, it seems clear to us, that merely raising the amount of direct financial aid will not come to grips with the inherent problem.”

In other words, you’ll either be reorganized or there will be no money for you. And, I want to repeat, that I, and I’m sure everyone on this side of the House, and I’m sure local governments will be pleased to learn that the Government has at least changed their attitude as far as their remarks in the budget address are concerned.

Now there are many criticisms, I think, that should be made, but after all, I think probably Wednesday is the time to do so. With those few remarks, Mr. Speaker, I beg leave to adjourn the debate.

The debate was adjourned on motion of Mr. McDonald.

## SECOND READINGS

### **Bill No. 5 — An Act to amend the Electrical Inspection and Licensing Act**

**Hon. C.C. Williams** (Minister of Labour): — Mr. Speaker, this is a Bill to amend The Electrical

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Inspection and Licensing Act, and there are four principles in it. The first is: To permit the electrical branch to approve a design of an electrical appliance that might be manufactured in this province. Occasionally, we have for instance an oil company, which, might wish to make some appliance they need in the field. Obviously it would be unfair to force them to go to the expense and have the delay of sending it down to Canadian Standards Association in Toronto. With this small amendment, we could go ahead and make the inspection here, and this would be of considerable benefit to those people.

I don't suppose there would be a dozen in the whole year, perhaps not that many. Ordinarily I might say that the Canadian Standards Association do all the approving.

The second point referred to: passage and freight elevators. That branch, about two years ago, for administrative purposes, was moved from the Steam Boilers Branch to the Electrical Branch, so now we want to take any responsibility from the Electrical Inspection Act and transfer it to the Passenger and Freight Elevator Act, which is also administered by the Electrical Branch in our Department.

The third point refers to a bond for employers. An employer might be Imperial Oil or the Cement Company who have four or five full time electricians, and according to the Act they are required to take out a bond of \$2,000.00, which we feel is superfluous. It has never been necessary, and it does seem a little ridiculous, that a firm be required to take out a bond for \$2,000.00 to protect themselves against work done on their own premises, by their own employees.

The fourth refers to bonds for supply houses, which are also required to furnish a \$2,000.00 bond, which we feel is unnecessary for the reason that a supply house might have \$150,000.00 worth of equipment, and a \$2,000.00 bond is of little or no value to them. This particular part of the Act has been in effect since 1947, and has never been used. The customer is protected at the contractor level, and the contractor purchases from the supply house, so we feel that it is an imposition to ask the supply house to furnish a \$2,000.00 bond.

Now with the explanation, Mr. Speaker, I would move second reading of Bill No. 5 — An Act to amend the Electrical Inspection and Licensing Act.

The question being put, it was agreed to.

## SECOND READINGS

**Bill No. 8 — An Act to amend the Liquor Act, 1960**

**Premier Douglas:** — Mr. Speaker, the amendments which are proposed here fall into two main categories. The major part of the amendments are necessary because it has been decided to allow at least one liquor store, and I am sure others may follow over a long period of years, in the far north. All of our legislation for setting up liquor stores or any kind of liquor outlet, has been designed on the basis of being in the organized areas of the province where there are municipalities, where townships can petition, and where most can be organized on the basis of a municipal vote, and so on. When we come to organize a liquor store, or to allow any type of liquor outlets in the north, then a number of amendments become necessary, and most of the amendments here have to do with that provision.

The other amendment has to do with Section 95, which deals with the matter of consuming liquor in vehicles. Before it was included in the overall general fine. It was thought that what we should do here was prescribe a specific fine to deal with this offence. Therefore, this amendment is included. I think, apart from these two changes, in general principle, there is no other principle involved. The general details we can discuss more adequately in Committee of the Whole.

I would therefore, move that Bill No. 8 – An Act to amend the Liquor Act, 1960, be now read a second time.

**Mrs. Mary J. Batten:** — I wonder if the hon. Member would sit down, so I could ask a question?

Is there any change in the law, or will the law be exactly the same as it was under the old section, so far as it governs consumption of alcohol in vehicles?

**Premier Douglas:** — I am sorry, insofar as . . .

**Mrs. Batten:** — Will it make any difference in the proving of a conviction? Why was it thought necessary, outside of the increase in penalty? Was that the only reason . . .

**Premier Douglas:** — That was the main purpose, to make

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a specific penalty, rather than coming under the general penalty clause which was pretty high.

**Mr. Thatcher:** — I wonder if I might be permitted to adjourn that debate.

The debate was, on motion of Mr. Thatcher, adjourned.

## **SECOND READINGS**

### **Bill No, 9 — An Act to amend the Liquor Licensing Act, 1959**

**Premier Douglas:** — The amendments here are very minor the matter of making it possible to take votes in the far north, and to determine who would be eligible to vote. As hon. Members will remember, the discretion formerly lay entirely with the Liquor Board, or the liquor licensing authorities, and while this may have been necessary at one time, our feeling was that as soon as possible the people of the area should have some opportunity to express an opinion for or against having a liquor outlet. This is an effort to make such provisions so that the people surrounding a point, which is opposed to have a liquor outlet may have an opportunity of exercising their power to prevent it or to authorize its operation.

With this explanation, Mr. Speaker, I would have second reading of Bill No. 9 — An Act to amend the Liquor Licensing Act, 1959.

**Mr. Thatcher:** — Mr. Speaker, I wonder if I might move the adjournment of this debate.

The debate was, on motion of Mr. Thatcher, adjourned.

## **SECOND READINGS**

### **Bill No. 14 — An Act to amend the Commercial Agents Acts, 1958**

**Hon. R.A. Walker** (Attorney General): — Mr. Speaker, this is an amendment to

the Commercial Agents Act which, to some extent, extends the application of the Act. The House will recall that in 1958 the old Hawkers and Peddlers Act applied to transactions in the sale of goods, including the sale of goods where there was also an accompanying agreement respecting the installation of the goods. That would, of course, apply to cases like the sale of lightning rods where they're installed as part of the sale, except that lightning rods were expressly exempt from the Act.

Take the case of a new roof put on a building. The roofing materials were sold together with the installation services. Now the old Hawkers and Peddlers Act applied to that kind of situation. In 1958 we were anxious to restrict the application of the Act, because we felt that the services which were included with the goods, were not so likely to require statutory protection for the public. Our optimism was perhaps unjustified, because within a year we received a number of complaints from members of the public who had been taken in by unscrupulous contractors (I suppose could call them) who went from house to house doing that very thing – installing roofs to old buildings and doing an unsatisfactory job of it. We had no means of curtailing their activities, of preventing them from operating. They weren't required then to have a bond, because they weren't covered by the Act.

The Government now wishes to readopt the principle which was contained in the Hawkers and Peddlers Act, and which was not carried into the Commercial Agents Act. In other words, we wish to continue to revive that application of the Act, and incorporate it in the Commercial Agents Act. The experiment lasted three years, and it was demonstrated that that feature of the Act was in fact necessary for the protection of the public.

The number of complaints was not large; I think I received two or three, as a matter of fact, but the Government feels, while it does increase the number of work required by the staff, it does increase the number of people who come under the Act, that it will add a useful measure of public protection.

The only change of any consequence is the alteration in the number of exemptions. The old Act exempted a number of specific commodities. For example, it exempted binder twine, pianos, organs, typewriters, adding machines, sewing machines, or parts thereof, computing

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scales, fire extinguishers. Now those things were expressly exempt. How the exemptions were arrived at somehow and why they were put in the Act no one knows, but the exemptions go back a great many years. Some of these things are now obsolete, such as binder twine. There is little or no selling from door to door of pianos or organs. There is no reason that the Government can see, why people who go from door to door selling sewing machines ought not to be in exactly the same position as people who go from door to door selling vacuum cleaners. There should be no distinction; there is no basis for distinction. So it is proposed to delete those exemptions.

There are some other commodities, however, which we propose to put in as exemptions, such as the sale of water from door to door. This is a very commonplace product. We feel the public requires no statutory protection as to the purchase of it. The sale of propane gas, is again, so far as it is in the interests of the public that it should be controlled, is controlled under The Public Vessels Act, legislation of the Department of Labour. We see no reason, either why the Act should apply to the sale of bakery or dairy products in a community where the proprietor of the bakery or of the dairy is paying taxes in the community where he resides. These trades are trades that are confined to the immediate locality where the industry makes its headquarters. We see no need to apply the Act to those agents. With those changes in the application of the Act, the other changes are revisions only without any change in principle, which could be adequately discussed in Committee of the Whole. Therefore, with those comments I would move that Bill No. 14 be now read a second time.

**Mrs. Mary Batten** (Humboldt): — I would like to ask the hon. Member a question. Have you not had complaints about people selling Bibles.

**Hon. Mr. Walker:** — I am not aware of any complaints about selling Bibles.

**Mrs. Batten:** — I have a question or two to bring up for the consideration of the House. Apparently the Attorney-General hasn't had any complaints about selling Bibles, but I know that there have been people complaining although they apparently haven't complained to the Attorney-General. As you know this is a

sensitive subject and if people come in and make you feel like a criminal because you haven't an \$80 Bible in the house, you're apt to buy one. I don't think there is any doubt that some of these Bibles are being sold at twice the ordinary retail price. What's more there has been a great deal of misrepresentation in connection with the sale of these. I'm amazed that the Attorney-General hasn't heard about it, because some of these salesmen are reputed to bring in letters from local clergymen or the hierarchy saying these Bibles are a must in every home, and very good people and very honest people are taken in by this type of thing, and this is a particularly sensitive subject. You don't mind seeing people being rooked on something they don't need, but when they're rooked on the purchase of a Bible, it rather hurts everybody's conscience.

It may be that they can go into the local store or to the local minister and pick up on for just a very small percentage of the price they are being sold at. This is certainly something could be looked into.

There is another thing in this Act, that I'm a little worried about, and this is the question of some items. As you know sewing machines are now taken out of the exception clause. Then there is a question of what a recognized retail store is. The definition is narrowed down so that it no longer can include a dwelling, or a mail order office, or display room, a repair or service shop. This doesn't come up in the city too often, but in many small towns and villages and hamlets, - even in the country - there are people who have an agency and sell to their neighbours or people in the vicinity. Their greatest use to the community is the fact that they have a repair shop. I notice particularly in the case of sewing machines, if you have somebody in your vicinity that you take up the phone and call in when you're in the midst of something, and the sewing machine has gone wrong on you, it certainly is a very great service. I would certainly hate to see people of that kind put out of business by virtue of having to pay too high a fee. To many of these people this is just a part-time business; it's not a big business, and I don't think there is ever an opportunity, where these people are actual residents of the district, for anything dishonest to be going on. I don't think anybody is ever taken in. They are providing a service on a very small scale, and I think it's a shame to have this service disrupted through taxation this kind.

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**Mr. L.P. Coderre** (Gravelbourg): — Mr. Speaker, in view of some of the clauses in the Bill, I would like to have an opportunity to look it over, and if you will give permission, I beg leave to adjourn this debate.

The debate was, on motion of Mr. Coderre, adjourned.

The Assembly adjourned at 5:29 o'clock p.m.