

LEGISLATIVE ASSEMBLY OF SASKATCHEWAN
Second Session — Fifteenth Legislature
14th Day

Friday, February 25, 1966

The Assembly met at 2:30 o'clock p.m.
on the Orders of the Day.

REPLY RE REPORT OF HIGHWAY TRAFFIC SAFETY COMMITTEE

Hon. D. V. Heald (Attorney General): — Mr. Speaker, before Orders of the Day, I would like to reply to the hon., the senior member from Moose Jaw (Mr. W. G. Davies) who yesterday inquired as to when hon. members would have in their possession a copy of the interim report of the Legislative Committee on Highway and Traffic Safety. I have issued instructions for Xerox copies to be made available forthwith. However, the formal final copy is in the hands of the printers and will not be available for two or three weeks' time, but you will have the mimeographed copy within the next day or two.

STATEMENT RE FINAL WHEAT PAYMENT

Hon. D. McFarlane (Minister of Agriculture): — Mr. Speaker, I wish to make an announcement which will be of interest to members of the legislature, the final payment on wheat delivered to the Canadian Wheat Board during the 1964-65 crop year amounts to \$200,170,082. This was announced by the hon. Mitchell Sharp, Minister of Trade. The producers delivered a total of 523,703,180 bushels to the Wheat Board in the last crop year. This included 31,529,697 bushels of Durum wheat. The rates of final payment for the principal grades of wheat are as follows: No. Manitoba Northern — 38.296 cents, No. 2 Manitoba Northern — 38.711 cents, No. 3 — 36.228 cents, No. 4 — 36.888 cents, No. 5 — 44.022 cents, No. 6 — 46.426 cents, Feed Wheat — 47.638 cents. Prices for Amber Durum Grades, No. 1 CW Amber Durum — 38.296 cents, No. 2 Amber Durum — 39.169 cents, No. 3 - 38.939 cents, Extra No. 4 — 39.939 cents, No. 4 — 39.734 cents, No. 5 — 45.012 cents, No. 6 — 46.426 cents. The average final payment for wheat other than Durum is 38.12 cents per bushel. Average final payment for Durum is 39.57 cents a bushel.

The Wheat Board, may I inform the legislature, was to start issuing final wheat payment cheques today.

Some Hon. Members: — Hear, hear!

Mr. I. C. Nollet (Cut Knife): — Mr. Speaker, could the hon. member tell us if he has the figures as to what the average price was, the total price for No. 1,2,3, etc.?

Mr. McFarlane: — I haven't those figures with me this afternoon.

An Hon. Member: — How about \$2?

Mr. McFarlane: — The figures today are over \$2.02 a bushel.

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Mr. Nollet: — Basis Fort William, Mr. Speaker?

Mr. Speaker: — Order!

STATEMENT RE MOTOR VEHICLE LICENSES

Hon. W. Ross Thatcher (Premier): — Mr. Speaker, as Provincial Treasurer, I would like to announce a number of minor changes in the schedule of motor vehicle license fees for 1966-67, which have been made. In a general way these schedules will be the same as last year; however, there are some minor reductions. A new license classification, Class SB has been established for school buses. There is no change in the fees for regular school buses. However, converted trucks will not be required to register in the school bus district, if the vehicle is used to transport school children under contract. Farmers who own power-units, semi-trailers which are used solely in connection with their own farming operations, will be permitted to register under class R, instead of class C commercial. The schedule of fees under class R has been extended to include gross weight from 42,000 to 74,000. For example, class R fees established for a regular power unit is registered in the 42,000,44,000 gross weight category as \$35, or a reduction of 82 per cent compared with the class C fee of \$190. Class A and Class E public service vehicles will be combined in the one class. The fee for the combined class will be at the level of present class B fees. This is a reduction of \$50 per truck, presently registered in class A.

Passenger vehicles, 30 years or older, sometimes known as antique cars, will pay a reduced annual fee of \$5, regardless of the wheel base, compared to the present fees of \$10, \$15 and \$20.

The new schedule of fees will go into effect on March 15th. These changes in the schedule of motor vehicle license fees will reduce revenues to the Treasury Department by somewhat under \$100,000.

Mr. W. S. Lloyd (Leader of the Opposition): — Mr. Speaker, before Orders of the Day, I wonder whether the Premier will tell us whether it is correct that Superannuation Funds under the control of the government are being directed to purchase substantial amounts of Saskatchewan Savings Bonds.

Mr. Thatcher: — No, I would say that statement is not correct. They are purchasing some, but it will be a modest sum.

ANNOUNCEMENT RE SIGNING OF CONTRACT WITH IBEW BY SPC

Hon. D. Stuart (Minister of Public Health): — Mr. Speaker, I know all members will be interested to learn that today the Saskatchewan Power Corporation signed a contract with the International Brotherhood of Electrical Workers. Since they have previously signed with the Oil, Chemical and Atomic Workers, this completes all the negotiations they had with the corporation at the present time.

Some Hon. Members: — Hear, hear!

STATEMENT RE POINT OF PRIVILEGE — RADIO TIME

Hon. J. W. Gardiner (Minister of Public Works): — Mr. Speaker, before the Orders of the Day, I would like to bring to the attention of this House on a point of privilege, to info carried in weekly newspapers in the province with regard to procedures of the legislature and particularly to info coming from the legislature and from the government as such.

Here are some interesting answers reported to have been given by the government to the House during the session. First, that the expenses of cabinet ministers traveling outside the province of Saskatchewan are \$30 per day, which of course is incorrect. The expenses of cabinet ministers traveling outside the province is \$20 per day and not \$30. The second error which is claimed to appear in the records of this House, which every member knows it does not, has to do with the radio time in the legislature, where it says:

Incidentally when Conservative leader, Martin Pederson, spoke in the Throne Speech debate, he said he was on the air only because the CCF had allowed him to use 15 minutes of their time. Government members protested this statement, but the records show that the time did, indeed, come from the CCF.

I want, Mr. Speaker, for your information, and for the House, to point out that the records of this House will actually show Mr. Pederson receives his regular 21 minutes as other members but the opposition gave five minutes of their time to Mr. Pederson and the government gave four minutes of their time. This is the only record I know of that is on the records of this House. It is quite easy to see when you go to the bottom line in this press release, which looks like an ordinary release put out by a writer in this province, probably purporting to be from the press gallery, that this article, this particular article is authorized by the Saskatchewan CCF party. So I just want to point out that this information is incorrect, is false, and is now going out through the weekly papers of this province. I just want to bring to your attention that false information is going into the papers of this province, purportedly coming from the legislature.

Mr. Lloyd: — Mr. Speaker, on the point of privilege, the leader of the Conservative party in this House is well qualified to speak for himself, but he knows, and certainly the Leader of the House for the government side knows why the Conservative member got any time at all in the debate . . .

Some Hon. Members: — Hear, hear!

Mr. Steuart: — Because we believe in democracy and gave it to him . . .

Mr. Lloyd: — Under duress.

MESSAGE FROM HIS HONOUR THE LIEUTENANT GOVERNOR

Hon. W. Ross Thatcher (Premier and Provincial Treasurer): — Mr. Speaker, I have a message

from His Honour the Lieutenant Governor.

Mr. Speaker: — His Honour the Lieutenant Governor, R. L. Hanbidge, transmits estimates of certain sums required for the services of the province for the twelve months ending March 31st, 1967, and supplementary estimates of certain sums required for the service of the province for the twelve months ending March 31st, 1966, and recommends the same to the consideration of the legislative Assembly.

Mr. Thatcher (Provincial Treasurer) moved, seconded by the hon. Minister of Health (Mr. Steuart):

That His Honour's message, the estimates and supplementary estimates be referred to the Committee of Supply.

Motion agreed to.

BUDGET DEBATE

Mr. Thatcher (Provincial Treasurer): — Mr. Speaker, this will mark the second occasion on which it has been my privilege, to present a budget on behalf of the new Liberal government.

I make the Motion of Supply as Provincial Treasurer.

In government, budgeting is our main administrative discipline — the process by which the government plans for and ensures, the wisest and best use of public monies.

In formulating the budget, two factors much be kept in balance.

On the one hand, the treasury must keep spending at a maximum, on essential services — such as highways, education and health — if our economy is to advance.

Even with the most diligent control over expenditures, we must provide substantial additional funds each year, to keep pace with the growth occurring within our borders, and to meet the new needs of our people.

On the other hand, no responsible government can forget that every dollar it spends, must first be taken from a taxpayer — whether individual or corporate.

Consequently, there are financial limitations upon what can be undertaken in any single year.

In preparing the budget, literally hundreds of appeals must be considered, and dozens of spending proposals carefully weighed.

The final result — provides the necessary but agonizing confrontation, between available financial resources on the one hand — and goals and aspirations on the other.

The duty of the Treasurer, is to take the available revenues, and within their limitations, establish priorities for the various spending programs.

About 75 years ago, a British Prime Minister, the Right Honourable W. E. Gladstone, pointed out that the principles of sound public finance include:

- economy;
- a balanced single budget in each year;
- and a redemption of debt.

I believe that in normal times, the principles enunciated by Mr. Gladstone still are valid.

Certainly, as Provincial Treasurer, I would be opposed to deficit financing at a time when our economy is buoyant.

The budget which I am placing before the House this afternoon, endeavours to present a clear picture of the present financial position of the province, and the plans of the government for the coming fiscal year.

In preparing the 1966 budget, I have kept several factors in mind:

- (1) The election promises made by the Liberal party in the last election.
- (2) The belief of the government, that taxes in Saskatchewan are still dangerously high, as compared to other parts of Canada.
- (3) That some additional assistance must be found to help our local governments.
- (4) That help and assistance to private enterprise is the most effective way to open up and develop our province.
- (5) That much remains to be done to improve living standards for our people.

At all times, our government intends to continue nourishing and improving the investment climate in Saskatchewan.

We shall constantly seek to find better methods of attracting new capital.

By such methods, we hope to widen and expand the overall tax base.

THE SASKATCHEWAN ECONOMY

Mr. Speaker, at this point I wish to review briefly the activities that have highlighted the Saskatchewan economy over the past year, and outline some of our hopes for the year ahead.

The main economy feature of 1965, of course, was the fact that we had the third largest wheat crop in our history.

This gigantic crop amounted to some 420,000,000 bushels, and virtually every bushel has been sold.

As a result, gross agricultural produce in 1965 should reach the \$1,000,000,000 figure.

For our farmers, the crop year provided net farm income that

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exceeds by 34 per cent, the five-year average income from 1961 to 1965.

1966 AGRICULTURE PROSPECTS

What about agricultural prospects?

The world population explosion appears unabated.

Thus, we expect the export demand for grain will continue high.

The huge sales negotiated with Russia and Mainland china provide cause for real optimism in 1966.

Most authorities feel that grain prices will continue steady in 1966.

The heavier than usual snowfall which we have experienced this winter, should help to ensure good moisture conditions for the coming crop year.

The cattle industry has made steady progress during 1965, and is in a very healthy position.

Prices are favourable, and prospects are even better.

I regret to say, however, that despite the highest prices in several decades, hog production has continued to drop in Saskatchewan.

As I explained earlier this session, the government is taking the initiative in encouraging sheep production — which we believe holds possibilities for further increasing farm profits.

AGRICULTURAL SPENDING

Liberals believe that agriculture will continue to remain the major foundation of the Saskatchewan economy.

During a former debate, I outlined a series of steps and new programs which the government has designed to help farmers.

I shall not repeat those measures in this speech.

However, I may say that in 1966-67, this government will spend a net amount of ----- \$12,300,000 for agricultural programs (capital and ordinary) — which is the highest expenditure on such programs in the history of the province.

This sum represents 20 per cent increase over the current year's approved budget of ---- \$10,300,000

NON-AGRICULTURAL SECTOR

In the non-agricultural sector of the economy, our province again established many new records.

Total public and private investment rose to —\$905,000,000 an increase of approximately - 7 per cent

Construction activity set a new high, advancing over 10 per cent to -----\$515,000,000

7,475 new homes or dwelling units were commenced in Saskatchewan, during 1965, as compared to 7,130 in 1964, an increase of ----- 4.8 per cent

Electric power generation increased about 13 per cent in the current year.

Retail trade, according to the latest estimates, rose by ----- 5.7 per cent
to an all-time record of ----- \$1,220,000,000

The value of mineral production continued to advance and reached an estimated ----- \$327,000,000
an increase of 12 per cent over a year ago.

Manufacturing increased to ----- \$427,000,000

However, we do not consider this figure to be either adequate or satisfactory.

The government is taking all possible steps to stimulate and encourage the establishment of secondary industries in Saskatchewan.

PERSONAL INCOME

As a result of our very large wheat crop and the boom in the industrial sector of the economy, personal income to Saskatchewan citizens reached an all-time high of ----- \$1,880,000,000
in 1965, 18 ½ per cent above the 1964 figure.

On a per capita basis, personal income in Saskatchewan is now above the national average in Canada.

In summary, Mr. Speaker, 1965 was a year of new firsts and records for our province.

And, although it is difficult to predict the outcome of the 1966 crop year, the 12 months ahead show every indication of continuing the boom trend in our province.

FISCAL POSITION 1965-66

In my first Budget Speech of one year ago, I forecast a modest budgetary surplus of about - \$250,000

Honourable members will recall that revenue estimates were based on:

- (a) an average crop;
- (b) an increase in the growth of the Gross National Product of 5 per cent to 6 per cent and;
- (c) a modest expectation of oil exploration activity.

With the buoyant state of the national and provincial economy, revenues are expected to be substantially in excess of the amount forecast.

ANTICIPATED REVENUES

Present indications are that revenues in the current

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fiscal year will exceed the estimates by over ----- \$26,000,000

Sales tax receipts will exceed the original estimate of \$39,300,000, by more than -----\$4,000,000

Gasoline tax receipts should reach \$29,700,000, - \$700,000 above the original estimate.

Bonus bids are likely to reach an all-time high of up to \$13,000,000, some -----\$9,500,000 above the original.

Based on current revised federal estimates, receipts under the federal-provincial tax collection arrangement are expected to be up by -----10,500,000 over the original estimate of \$63,400,000.

Motor vehicle revenues should reach \$10,000,000 this year, about ----- 400,000 above the original estimate.

SUPPLEMENTARY EXPENDITURES

Much of this increased revenue will be used to advance capital projects.

We have asked the Department of Highways to proceed with its capital program as rapidly as possible.

This expansion has been limited only by the availability of contractors and the inclement weather.

The department estimates it will over-expend its 1965-66 capital budget by -----\$5,000,000

The Department of Agriculture has been authorized to acquire any land for the South Saskatchewan Irrigation project which has been offered for sale.

\$900,000 has been approved for this purpose, in addition to the amount provided in the budget.

The Municipal Road Assistance Authority's budget will be over-expended by ----- \$900,000

Of this amount, municipalities will receive ----- \$700,000

The House will be asked to provide -----\$1,700,000 towards meeting the province's commitment for the construction of the civic auditoria in Regina and Saskatoon, and the centennial project in Moose Jaw.

We intend to advance ----- \$100,000 for the detailed planning of the proposed extension of the University Hospital, Saskatoon, and \$400,000 for the planning of the South Saskatchewan base hospital in Regina.

The House will be asked to approve again this year an advance capital grant of -----\$3,000,000

to the University of Saskatchewan, and an operating grant of -----\$1,600,000

The reserve balance of the Medical Care Insurance Commission will be increased by a supplementary grant of -----\$5,000,000

In addition to these major over-expenditures, there are smaller authorized over-expenditures, the details of which will be made available in Committee of Supply.

These include items such as:

- cost of printing the revised statutes ----- \$150,000
- provincial assistance to establish a new regional library in South-Eastern Saskatchewan ----- \$170,000
- construction grants for homes for the aged ----- \$400,000
- mineral exploration incentive program ----- \$200,000
- grant to the Saskatchewan Research Council ----- \$100,000
- school grants ----- \$300,000
- grant to the Saskatchewan Diamond Jubilee and Canada Centennial Corporation ----- \$300,000 for the current fiscal year

Having made provision for this total supplementary spending program and assuming that some departments, as usual, will under-spend, I estimate that we will end up with a budgetary surplus of about -----\$6,000,000 for the current fiscal year.

CROWN CORPORATIONS

I turn now to a brief review and outline of plans for the province's Crown corporations.

May I reiterate that it is the philosophy of this government to encourage the industrial development of Saskatchewan by "private enterprise".

The establishment and continued operation of a Crown corporation may be justified, in our opinion, only if it meets at least one of the following qualifications.

1. If it provides an essential service which private firms are unable to supply at comparable cost to the public.
2. If it provides useful employment which otherwise would not be available.
3. If it yields a particularly satisfactory return on invested public funds.

During the past year, three Crown corporations which failed to meet any of these requirements were sold on favourable terms.

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SASKAIR

The financial picture of government-owned Saskair, from 1948 on, had not in our opinion, been satisfactory.

An independent consultant whom we called in, indicated that continued operation would probably involve substantial losses to the taxpayer in the future.

We, therefore, entertained offers to purchase, from private firms.

The high bid was made by a group of private businessmen, who formed North Canada Air Limited, a new Saskatchewan company, to purchase the assets and business of Saskair.

North Canada Air Limited has undertaken to provide at least the same level of service previously carried out in the north, by Saskair.

Moreover, the company plans to expand and improve northern flying services in step with growth in the far north.

We are confident that a well-managed private company will be able to operate a profitable air service in the north.

The assets of Saskair were sold at a price which realized a net gain for the taxpayer.

The company has indicated that in the past year, it has increased total employment and wages.

In our opinion, it has also improved services.

SASKATCHEWAN GUARANTEE & FIDELITY

We believe we will save the taxpayer huge sums of money in the future by having sold the Saskatchewan Guarantee & Fidelity Company.

The Socialists had reported a total profit of ----- \$124,000
in the last 10 years.

They achieved this figure by a process which was little more than “juggling the books”.

As has already been pointed out by the minister in charge of SGIO, instead of a profit, the company actually has losses of about ----- \$3,500,000
in the 10-year period — many of them in the State of Montana.

These losses were hidden from the taxpayer by the unbelievable expedient of simply making equalization payments, and giving commission-free business from the more profitable SGIO.

Thus, I believe we were fortunate indeed to sell this company to a group of businessmen, headed by Mr. Glen Turner of Saskatoon.

The amount we received from the shares, equalled the net asset value of the company, excluding its Saskatchewan operations which were transferred to SGIO.

The new company, which understands the insurance business, is moving vigorously into the competitive prairie insurance market.

WIZEWOOD

The Wizewood Plyboard Plant at Hudson Bay theoretically was not a Crown corporation.

However, over the years, the government had advanced so much money to it, that in reality Saskatchewan taxpayers owned roughly 70 per cent of the plant, at the time the Socialists left office.

Wizewood was in trouble almost from the day it opened.

In their annual reports, losses of about ----- \$412,000
were admitted, from incorporation in 1959 to February 28, 1965, the date of sale.

Actually, the deficits far exceeded this sum, because the company simply didn't charge depreciation.

When depreciation was included, actual losses were about -----\$1,250,000

In the last year, ending October 31, 1964, Wizewood losses were ----- \$307,500

Obviously, neither the management of the company, nor the CCF-NDP government, knew very much about the plyboard business.

Soon after taking office, we made a major effort to salvage the operation.

And, we were fortunate indeed to sell the company to one of the giant timber companies of this continent, MacMillan & Bloedel.

They have taken what was virtually a bankrupt company and

- increased production;
- raised wages;
- increased employment;

and started to pay taxes to the people of Saskatchewan.

INDUSTRIAL DEVELOPMENT FUND

In the past year, the Industrial Development Fund cleared up the last of its outstanding loans granted up until 1963.

Since then, its operations have, in effect, been taken over by SEDCO.

Legislation to abolish the Fund will come before the legislature shortly.

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There are two other Crown corporations which we have been analysing carefully this year.

In the meantime, we have continued their operations as effectively as possible.

While no final decision has been made, I am rather of the opinion that these two operations could also probably be carried on more efficiently under private ownership.

ESTEVAN CLAY PRODUCTS

The brick plant at Estevan has had a series of disastrous years since 1961.

In that period of time, losses have exceeded ----- \$33,000

In 1964, the loss was approximately ----- \$48,000

The government has tried to dispose of the plant without success.

A few months ago, we hired a company known as industrial Management Limited, which is connected with IPSCO, to manage the operation.

At the same time, we have made major efforts to persuade schools, hospitals, etc., to use brick from the plant.

As a result of these steps, we expect the plant to show a modest profit of about ----- \$10,500 in 1965.

In 1966, we expect to show a more substantial profit.

However, we are far from satisfied with the operation, and would sell it to private enterprise if the opportunity should arise.

SASKATCHEWAN GOVERNMENT PRINTING COMPANY

The Saskatchewan Government Printing Company has shown modest profits year after year.

Most of the business is given to them by the government, without competition, and without the corporation incurring selling expenses.

Since taking office, it has been this government's policy to distribute more printing among weekly newspapers around the province.

Last year, the weeklies received ----- \$63,000

We doubt whether the government should be in the printing business.

While we have no immediate plans for selling the printing company, we would be prepared to entertain reasonable offers from private firms to purchase this corporation.

SASKATCHEWAN GOVERNMENT INSURANCE OFFICE

Last year, the government removed some of the monopoly advantages enjoyed by the Saskatchewan Government Insurance Office.

Schools, hospitals, sanatoria, etc., which previously were obliged to buy their insurance from Saskatchewan Government Insurance, have been allowed to buy competitively.

Time and time again, school boards have saved large sums of money as a result.

For example, in Saskatoon, the Government Insurance net big for the School Board business was -----\$45,700

A private enterprise company was able to big -----\$35,100

Thus, the taxpayers of that city were able to save -----\$10,600 because of that competition.

Despite the removal of the monopoly advantages, the corporation has experienced the most profitable year in history.

Part of this, is caused by the fact that it is no longer subsidizing the Guarantee & Fidelity Company.

But, part of the profit picture is also due to better management and administration.

It appears evident at this time, that the Saskatchewan Government Insurance office, because of the nature of services provided, will be continued.

SASKATCHEWAN TRANSPORTATION COMPANY

In recent years, with the danger of railway abandonment in some communities, the Saskatchewan Transportation Company assumed new importance.

During 1965, by more effective direction, the net profit was ----- \$217,000

This compared with ----- \$167,500 in 1964.

Because of the services provided to many Saskatchewan communities, the government intends to continue the operation of this Crown corporation.

SASKATCHEWAN SODIUM SULPHATE

This corporation has been one of the more lucrative owned by the government.

In the past year, it earned approximately ----- \$855,000 for the Saskatchewan taxpayers.

In 1966, two and possibly three, new sodium Sulphate mines will come into production, hence the Crown corporation will face additional competition.

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This year, the corporation is proceeding with the building of a new plant at Ingebright Lake.

The government authorized this new expenditure, because of the gradual depletion of resources at Bishopric and Chaplin.

The government does not rule out the ultimate sale of the company to private enterprise.

However, as long as the picture continues to be so favourable, we contemplate no sale of the plant.

SASKATCHEWAN FOREST PRODUCTS

Many of the monopoly provisions of the Saskatchewan Timber Board have now been removed.

Private enterprise has been invited to establish in our northern areas and is rapidly doing so. This fact has affected profits of the Board.

This year, net —profits will be approximately ----- \$316,500
as compared to \$507,500 a year ago.

In many areas, operations of the Tiber Board may be phased out as new private companies come in.

However, the corporation will be used in a major way, to gather pulpwood for the new Prince Albert Mill.

Thus, we expect in the immediate future, that its overall operations will be expanded, rather than contracted.

However, at all times, the corporation will be expected to stand on its own feet.

SASKATCHEWAN GOVERNMENT TELEPHONES

In 1966, Saskatchewan Government Telephones will undertake a ----- \$21,000,000
construction program.

The government will assist in financing this program, by borrowing ----- \$12,500,000
for the corporation, an increase of \$500,000 over 1965.

At the same time the government will change the policy introduced by the previous administration, whereby all profits of the corporation are transferred to the Provincial Treasury.

While this previous policy resulted in an increased share of Trans-Canada telephone revenues, the proportion of debt outstanding has risen to over ----- 85 per cent
of the total capital structure.

We believe this percentage is too great a debt burden for the Telephone Corporation to carry and is contrary to sound business practice.

The whole capital structure is causing the government major concern.

In future, we believe it is imperative that more development be financed by equity capital, and less by borrowing.

Last year, as usual, all profits of the corporation went into consolidated revenue.

This year, the corporation will be permitted to retain -----\$2,200,000

However, in subsequent years, we hope a greater proportion of profits may be retained.

In line with this thinking, we are seeking a revised formula for sharing of Trans-Canada Telephone revenues.

Saskatchewan Government Telephones is rapidly expanding its facilities to meet the growing demands of industry and commerce, as well as the personal needs of the citizens of the province.

In 1966 ----- 22 exchange areas will be converted to community dial offices.

A start will be made on ----- 19 more for completion in 1967.

In addition, direct distance dialing will be extended to -----2 centres

- Prince Albert
- North Battleford

Work will be substantially completed on the extension to two more centres

- Yorkton
- Melfort

By the end of 1966 ----- 79 per cent of the telephones in Saskatchewan will be equipped for direct distance dialing.

The minister in charge of Saskatchewan Government Telephones announced recently, a cost-sharing program to provide telephone service to some farms in areas which never have had telephones.

The government intends to extend telephone service to several thousands of persons in Saskatchewan, who do not have access to this essential means of communication.

Saskatchewan Government Telephones estimates that the total capital costs will be ----- \$6,000,000 to \$7,000,000 to serve an estimated ----- 6,000 to 7,000 farm families in the province, excluding the far north.

The government has authorized Saskatchewan Government Telephones to spend ----- \$500,000

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in 1966, as a start on this new program.

All in all, we continue to feel that Saskatchewan Government Telephones is a well-managed entity.

SASKATCHEWAN POWER CORPORATION

I turn now to the Saskatchewan Power Corporation.

Our government has been very dissatisfied with the rate of return on investment for this utility.

Moreover, we have believed that far too much of the expansion has been financed by borrowing instead of through profits.

New management has made some progress to rectify this situation in the past year — though overall results are still far from satisfactory.

Surely, it is a reflection on the business capacity of the past

Socialist government that only -----7 1/2 per cent
of this company is owned by the people and ----- 92 1/2 per cent
is owed to bond holders.

This situation is even more ludicrous, when it is realized that a good many of the bond holders are Americans.

The Socialists, time after time, criticize this government for selling our resources to United States interests.

Yet, during their period of office, they sold \$176,000,000 in bonds to United States citizens in order to finance SPC operations.

Actually, no one should be surprised.

It is very seldom that the CCF-NDP leaders practice what they preach.

The overall profit picture in the past year has increased from about -----\$5,100,000
to roughly -----\$8,500,000

In the past year, the cash flow position increased from ----- \$21,000,000
a year ago, to ----- \$28,000,000

However, the government does not believe that the overall profit picture can be really improved until more of the company is owned by the people, and less by bond holders.

Our government cannot rectify this very uneconomic capital structure overnight, because today we have huge new industrial developments in Saskatchewan.

Potash, oil and other commercial enterprises all require vastly increased quantities of electricity and power.

We must continue to supply that energy, even though continued heavy borrowing is required.

However, over the next few years, the government is determined to increase the percentage of equity capital.

In 1966, we expect overall power consumption in Saskatchewan to increase by ----- 10 per cent

A major expansion program will take place in the current year.

It will include:

1. Installation of two new 40 megawatt units at the Squaw Rapids Plant.
2. The start of the construction of a hydro electric plant at the south Saskatchewan River Dam, and a beginning on the installation of three 62.5 megawatt units to be completed in 1968 and 1969.
3. A major expansion of the existing generator capacity at Boundary Dam will be undertaken in 1966 and completed in 1970.

Investigations are continuing into the feasibility of constructing another hydro dam in the Nipawin area.

GAS

The corporation has negotiation a major long-range gas supply contract with Trans-Canada Pipelines Limited, which will serve to meet the growing gas demand.

The corporation has recently concluded negotiations which will result in a major extension of the gas system to serve Rosthern-Duck Lake area at an estimated cost of ----- \$1,750,000

The project will be proceeded with as soon as 65 per cent of the potential customers have signed up for gas installation.

The total capital requirements of the corporation for 1966, including debt retirement will amount to the staggering figure of ----- \$73,800,000

\$46,200,000 of this amount will be financed through borrowing, while ----- \$27,600,000 is available within the corporation through earnings and provision for depreciation.

It is anticipated that ----- \$10,000,000 will be the profit earned by the corporation in 1966.

I might add that this \$10,000,000 profit is forecast after making increased provisions for depreciation and providing for the higher repayment of foreign borrowing, due to the discount of the Canadian dollar.

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We also intend to reduce the amount of expenses which in the past have been excessively capitalized.

Much of the credit for this improved profit picture, of course, must go to the minister, the Board of Directors, the new General Manager, and the management of the corporation.

These people have taken steps, starting with a complete re-organization of the corporation, to effect operating economies and improve efficiency within the corporation.

The corporation, during 1965, has reduced staff by -----223 or 8 per cent

The 204 staff of the Regina plant, acquired by the corporation, is not included in this figure.

In short, Mr. Speaker, while much remains to be done, I feel that major progress had been made during 1965, in putting the Saskatchewan Power Corporation on a better business basis.

CAPITAL FINANCING 1965-66

I should now like to say a few words about our "capital financing".

During 1965, the Province of Saskatchewan borrowed ----- \$34,300,000
a decrease of -----26,500,000
from the previous year.

The decrease, of course, was made possible by the buoyant economy, and by the reduction of borrowing by the Saskatchewan Power Corporation.

These funds were obtained from the following markets.

\$17,200,000 from the Saskatchewan Savings Bond market;

\$15,000,000 from the United States long-term Bond market;

\$2,100,000 from the sale of a Treasury Bill to the government of Canada (to finance one-eighth of this year's expenditures on the south Saskatchewan River Dam).

With your permission, Mr. Speaker, I should like to include a list of 1965 debenture issues:

DEBENTURES 1965

<u>Date</u>	<u>Maturity</u>	<u>Coupon</u>	<u>Payable</u>	<u>Amount</u>
Mar. 15/65	Mar. 15/75	5; 5-1/4 & 5-1/2	Canada	\$17,218,500
Oct. 1/65	Oct. 1.90	4-7/8 per cent	U.S.	15,000,000

I would like to comment briefly on these two issues of debentures.

Sales of Saskatchewan Savings Bonds (Series No. 5 in 1965) far exceeded all expectations.

Total sales amounted to ----- \$17,218,500
 which was the highest amount sold of any issue to date.

In addition, the yield to the investor of ----- 5.148 per cent
 was the lowest yield offered of any issue to date.

Saskatchewan Savings Bonds, Series No. 6, went on sale last Monday, February 21st.

Last year we stated that as a matter of policy, the government should, where economically feasible, borrow in the Canadian market.

We were hopeful at that time that the spread in interest rates between the Canadian and United States market would be reduced.

Unfortunately, it became apparent in mid year that this spread in interest rates had in fact widened and that considerable savings could be secured by Canadian borrowers in the United States market.

As a result of this situation, an issue of ----- \$5,500,000
 ----- 4-7/8 per cent
 debentures, payable in United States dollars was issued on October 1, 1965, at a price to yield 4.95 per cent to the investor, compared to 5.78 per cent, if we had borrowed on the Canadian market at that time.

In addition to these debenture issues, the government borrowed ----- \$4,000,000
 30-year debenture issue of the University of Saskatchewan, to finance part of its capital program.

This issue was dated October 1, 1965, and was privately placed in the Canadian market at a price to yield 5.6 per cent to the investor. This was an extremely favourable price.

BOND REDEMPTION

On August 3, 1965, the government redeemed in full \$10,000,000 — 6 per cent Province of Saskatchewan debentures maturing January 2, 1966.

This was done under the prior redemption provision of the debenture issue and resulted in a saving in interest of approximately ----- \$50,000

Total redemptions of outstanding debt, including

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the call of the \$10,000,000 debenture issue in 1965, amounted to ----- \$18,600,000

SINKING FUNDS

The government continued the policy of paying into sinking funds three per cent of the outstanding debt.

In 1965, \$17,540,000 was paid into our various sinking funds. Of this amount, the Saskatchewan Power Corporation and Saskatchewan Government Telephones reimbursed the government --- \$16,560,000

A total of \$120,100,000 was held in the sinking funds available for debt retirement as at December 31st, 1965.

PURCHASE OF MUNICIPAL DEBENTURES

In 1965, the government assisted local governments to finance debentures for schools, hospitals, rural telephones and municipal self-liquidating projects, including water and sewage projects, and utilities by purchasing ----- \$4,600,000 of the debentures issued.

This represents 16 per cent of the total estimated ----- \$29,000,000 of local government debentures issued in 1965.

The government presently assists local governments, other than the larger cities, which encounter genuine difficulty in marketing their debentures, by purchasing up to 50 per cent of an issue.

SOCIAL SERVICES AND HUMAN BETTERMENT

I should like now to discuss some of our specific programs, in the field of social welfare and human betterment.

I am sure all hon. members will agree that adequate education, health and welfare programs are vital to a dynamic province like Saskatchewan.

The magnitude of our expenditures indicates that we recognize their importance.

EDUCATION

The most costly of these social services and the most important to our future is education.

Enrolment in the elementary and secondary schools of the province now approximates ----- 238,000 a substantial portion of our population.

This figure does not include technical, vocational nor university students — nor does it include students in federal Indian schools.

Financial requirements for the construction of

buildings to accommodate students in schools at both levels, and to provide facilities for vocational education in secondary schools, have been particularly heavy.

In the past year, 589 regular new schoolrooms were opened in Saskatchewan.

In addition, another 211 specialized rooms were opened, including science labs, libraries, gymnasiums, commercial rooms and others.

In short, the equivalent of 800 new rooms were added to our school system.

On the whole, new construction of elementary and secondary schools has been catching up with the requirements imposed by increasing enrolment.

It is expected that expenditures for school buildings will continue at a somewhat lower level for the next two or three years.

COSTS OF EDUCATION

However, the overall costs of education continue to rise sharply and apparently inevitably.

In 1966, it is expected that total Saskatchewan school costs will rise by ----- \$10,800,000
to ----- \$108,400,000
due mainly to:

- increased enrolment;
- higher salaries and costs;
- the employer's contribution
- to the Canada Pension Plan.

Most local governments finance educational costs in the main, from a property tax.

Our government is extremely concerned over the alarming increase in property taxes throughout Saskatchewan.

In the 20 years following World War II, this levy increased by an average of 400 per cent.

The main responsibility for controlling property taxes must remain with local governments and school units.

However, education is so vital to the very future of our province, that the government believes we must give priority to a program of increased assistance to local governments.

Total regular school grants in the 1966-67 fiscal, including a small prepayment, will be \$55,100,000
of which ----- \$4,800,000
will be contributed by the federal government.

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Regular provincial grants will, therefore, amount to -----\$50,300,000 net
an increase of -----\$5,000,000
over the year.

We believe that these increased grants, in a general way, should help our schools to hold their mill rates at 1965 levels.

However, we would like to see some reductions made.

Thus, we propose to make an additional -----\$3,000,000
available to school units in the form of incentive grants.

This assistance will be contingent upon the boards using the major portion for tax reduction.

We appreciate that this is only an interim measure to help with the financing of public school education.

Our government intends to take early steps to investigate the desirability of establishing a province-wide foundation program.

We are also prepared to assume the costs of school boards' contributions to the Canada Pension Fund.

We estimate that in 1966, this will save local school units an additional -----\$1,000,000

In short, we are increasing total direct school grants this year by -----\$9,000,000

The net provincial school grant total of \$54,300,000 is ----- \$16,800,000
higher than the largest total grant ever paid in a single year by the Socialists.

Insofar as the school grant program is concerned, we are proposing to increase the proportion of total school costs shared by the senior governments, to -----54.5 per cent

PRIVATE SCHOOLS

The government, for the first time, began to pay grants to private high schools during 1965.

The plan seems to have been of major assistance to these schools.

In the current budget, we are increasing the amount for the next year \$5.00 per student.

Total cost of the program will be ----- \$150,000

TECHNICAL SCHOOLS

This budget proposes major steps to emphasize and expand the technical and trade training program.

Such a program is urgently needed in order to create the more skilled labour force demanded by our increasing industrialized economy.

In addition, by training our young people in the province, we hope to encourage them to remain in Saskatchewan.

In this budget, we have provided for:

- (1) An extension of facilities at the Saskatchewan Technical institute, Saskatoon at an estimated capital cost of -----\$4,000,000

This extension will provide facilities for 750 to 800 more students in the provincial training program.

We are providing -----\$2,600,000 in the public works capital budget for this project, which will be completed in 1967-68.

- (2) We are extending the facilities at Moose Jaw Technical Institute to handle another 125 technology students.

\$125,000 is included in the budget for this purpose.

- (3) Work has commenced on three new technical vocational schools at Regina, Yorkton and Lloydminster.

Technical high Schools are in the active planning stage in the following centres:

- North Battleford
- Melfort
- Swift current
- Prince Albert.

Capital school grants to school boards for expanded and new vocational training facilities will total -----\$6,100,000

- (4) The budget will provide for increases allowances for students in training by more than ----- \$100,000

TEXT BOOKS

In the last election, the Liberal party expressed the view that we should pay the cost of textbooks in collegiates and high schools.

The burden of these costs falls very heavily on large families.

The budget is providing for ----- \$600,000 to provide free text books to all students in Grade IX.

Next year we will hope to proceed further in this field.

UNIVERSITY

The need to provide facilities for higher education is expanding rapidly, and becomes ever more pressing.

With the help of substantial government assistance, the size and facilities of both our universities continue to increase.

The University of Saskatchewan plans a record capital development program this year of ----- \$15,000,000

This will be financed mainly from provincial funds as follows:

- a supplementary capital grant this year of -----\$3,000,000
- a capital grant in 1966-67 of -----\$2,000,000
- loan from the provincial government of -----\$8,300,000
- carryover -----\$1,700,000

Total provincial capital financial assistance in 1966-67 will be ----- \$13,300,000

For the coming fiscal year, the operating grant to the University of Saskatchewan will be ----- \$10,400,000 (\$1,600,000 of which will be prepaid in the current fiscal year).

This figure was made possible only by emergency grants made by the federal government.

Even with federal assistance, the increase is about -----\$1,000,000 over the amount needed last year.

In short, total provincial assistance to the University of Saskatchewan, will reach ----- \$23,700,000 this year.

I ask the hon. members to note that the highest sum ever given by the Socialists in a single year, to the University of Saskatchewan was ----- \$11,600,000 the year before an election.

Finding this huge sum, will strain the resources of the government in a major way.

The combined increases in federal and provincial grants should enable the university to accommodate an additional 1,250 students, in increase of almost ----- 10 per cent

While recognizing their urgent needs because of a burgeoning student enrolment, we have asked the university officials to do their best to control costs.

In summary, total government assistance to education for the 1966-67 fiscal year, will reach -----\$87,500,000 net excluding federal reimbursement.

HEALTH

The second of the social services which is so vitally important to the life of this province, and

to which our government will always give its wholehearted support, is the field of health.

To meet the constantly changing needs of more than 950,000 people, health programs cannot remain static.

Emphasis must be directed toward modern treatment of the mentally ill, widespread public health services, hospital care insurance and Medicare.

Spending on Saskatchewan's various health programs continues to rise.

I would be less than honest if I did not tell the people of Saskatchewan that these rising costs are straining our province's financial resources.

In the 1966-67 fiscal year, it is expected that total gross spending on public health will reach -----\$112,200,000

This represents an increase of ----- \$10,000,000 over 1965-66.

It represents an increase of ----- \$24,200,000 over the last year of Socialist Government, during the 1963-64 fiscal year.

The budget provides for next expenditures of ----- \$63,400,000 (including prepayments of almost \$6,000,000).

The net increase is ----- \$10,500,000 over the current year adjusted for prepayments.

For months, the Minister of Health and his department have been working at reducing costs and eliminating inefficiencies. They have saved large and substantial sums of money.

The government is also gratified with the efforts made this past year on the part of:

- the Medical Care Insurance Commission;
- the College of Physicians & Surgeons;
- the Hospital Boards;
- the public generally,

to control the costs of our health programs.

Even more, however, will have to be done in this connection during 1966.

In 1966-67 total estimated costs of the hospitalisation plan are ----- \$59,300,000

This is an alarming 8.4 per cent increase over this year, or -----\$4,600,000

Fortunately, our experience with Medicare in the past year has been quite favourable, as per capital costs increased by only ----- 2.4 per cent

In the coming fiscal year, Medicare costs will be ----- \$24,600,000

We welcomed the announcement made a few months ago that the federal government will soon participate in the cost of Medicare.

We hope that such participation may permit us to lower the present premium rate, and to extend coverage in the not too distant future.

MENTAL HEALTH

Care of the mentally ill, including the operation of the mental hospitals at North Battleford and Weyburn, and of the training schools at Moose Jaw and Prince Albert will require over ----- \$13,200,000
an increase of ----- 4.2 per cent
over the amount appropriated for the current year.

The emphasis on outpatient treatment has meant that this in is substantially less than it might have been.

Not only have economies been realized from this form of treatment, but it has proven to be far more effective in a great many cases than treatment within an institution.

HOSPITAL FACILITIES

The provision of adequate hospital facilities for the province requires major expenditure by the provincial government.

\$3,300,000 dollars will be made available for hospital planning and construction in 1966-67.

Over ----- \$750,000
has been provided for the 60 bed Psychiatric Centre at Prince Albert, of which \$470,000 was prepaid in the current fiscal year.

In addition, \$400,000 has been placed in the supplementary estimates for the detailed planning and design of a new multi-million dollar base hospital in Regina.

Another \$100,000 has also been placed in the supplementaries for the planning of the proposed extension and renovation of the University Hospital at Saskatoon.

Grants to municipal hospital boards will permit renovations and extensions of from 20 to 100 beds at each of the following hospitals:

- Assiniboia
- Central Butte
- Canora
- Kindersley
- North Battleford (Notre Dame)
- Lanigan

- Shaunavon
- Prince Albert (Victoria Union)
- Preeceville
- Saskatoon (City Hospital)
- Spiritwood
- Wadena
- Wynyard.

RECRUITMENT OF DENTISTS

The government recognizes the acute shortage of dentists in Saskatchewan, particularly in our smaller cities and towns.

Accordingly, we have undertaken a program to encourage dentists from Great Britain and the United States to come to Saskatchewan.

An amount of \$100,000 has been provided for this purpose, in the hope that a substantial number of dentists can be recruited.

It is anticipated that the recently announced plans for a dental college in Saskatoon will to some extent encourage more Saskatchewan students to take up dentistry in the province.

CANCER PROGRAM

The government has provided over -----\$1,800,000
for the treatment of those suffering from cancer.

This figure represents an increase of ----- \$250,000
over the past year.

Included in this amount is \$142,000 to replace and up-date equipment at the Regina and Saskatoon Cancer Clinics.

POLIO IMMUNIZATION

A mass polio immunization program will be undertaken, the vaccine for which will
require the sum of ----- \$120,000
to be shared equally with the federal government.

GRANT TO THE SASKATCHEWAN ANTI-T.B. LEAGUE

The government recognizes that the per diem cost of treating tuberculosis patients and the municipalities' share of these costs are rising as a result of the Saskatchewan Anti-T.B. League's successful preventative program.

The government will increase its grant from \$4 per patient day to \$5 per patient day.

The cost of the increase related to this additional \$1 per patient day is -----\$47,500

The Minister of Health will enlarge on the health programs which I have mentioned today.

WELFARE

Our welfare services are vital and necessary in meeting the needs of those who, for various reasons, are unable to provide for themselves.

To this end, we are continually expanding and improving our programs.

The department has consistently endeavoured to remove from welfare rolls, those who are able bodied and in a position to take work.

At the same time, social welfare officials have endeavoured to improve the assistance to those who are in legitimate need.

In the coming year, overall gross spending on welfare will increase by -----\$1,500,000
to ----- \$31,400,000

Much of the higher cost will be caused by a six per cent average increase in social aid payments, which the government feels is warranted in view of the steadily mounting costs of living.

However, in 1966, the federal government is proposing greater federal participation in social aid costs under the proposed Canada Assistance Plan.

Thus, we are able to budget for a decrease of ----- \$560,000
below the 1965-66 budget.

YOUTH AGENCY

Last May 1st, the government established the Provincial Youth Agency, to review existing programs and services to young people in this province.

Dr. Howard Nixon, of the University of Saskatchewan, was appointed Executive Director of the Agency.

Research assistants were employed, and visited 118 communities.

A Provincial Youth Review Committee was established to conduct public hearings and receive briefs.

We have received a report on the Youth Agency's findings and recommendations.

The report recommended the establishment of a Department of youth to encourage, foster and promote physical, cultural and social activities for the youth of Saskatchewan.

The government has accepted in principle the recommendations of the Executive Director, and has decided to proceed to implement the various proposals in stages.

The agency will operate under the Department of Public Health.

It will have an initial budget of ----- \$427,000
and a staff of 17.

The budget and staff of the physical fitness and recreation program of the Continuing Education Branch in the Department of Education will be absorbed into the Youth Agency, as well as the budget and staff of the summer recreation program carried out at provincial parks by the Department of Natural Resources.

We are confident that the youth Agency will co-ordinate community voluntary agencies and government departments, in the development of activities to meet the needs of our youth throughout the province.

HIGHWAYS

Our government recognizes the fundamental importance of our highways and roads program in promoting industrial growth, and opening up new area of the province.

Thus, since taking office, we have given top priority to road construction.

We believe that the majority of our people are no longer willing to travel on dusty, dirty main routes, and want all major routes to be oiled or paved.

In the last election, we promised to spend at least ----- \$175,000,000
on the purpose of highway assistance over a four-year period.

We hope to overcome the substantial backlog of substandard roads throughout the province.

I remind you that in the last year of CCF government,
1963-64, total highway spending was ----- \$24,200,000

This year, on our highway program, (with supplementaries),
we will spend approximately ----- \$40,600,000

We have run into some difficulty in expanding our program this past year.

Many contractors simply lacked sufficient equipment.

For 20 years under the Socialists, they had been unable to obtain adequate work.

We also ran into a major shortage of trained personnel.

The Minister of Highways has met on numerous occasions with the Road Builders of Saskatchewan, and urged them to purchase more equipment.

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At the same time, we have established a course at our technical schools to train equipment operators.

It is interesting to note that even with the difficulties I have just mentioned, and a rainy summer, Saskatchewan moved -----23,900,000 cubic yards of dirt.

I have been informed by the department that this figure surpassed both the Manitoba and Alberta figures.

In 1966-67 we hope to step up our highway spending very sharply again.

The budget is providing for minimum expenditures of ----- \$47,500,000

If weather and equipment permit, we will put additional sums in the supplementary estimates.

The Minister of Highways will discuss details of our program at an appropriate time, but again I assure the House that this government gives highway building a top priority, as we build and develop the economy of Saskatchewan.

NATURAL RESOURCES

To enable the province to carry out its important responsibilities relating to the conservation and development of our vast natural resources, ordinary and capital appropriations, totalling -----\$8,700,000 will be requested for the fiscal year 1966-67.

This represents an increase of almost -----\$1,000,000 over the past year.

I should like to touch upon several items in connection with this department's spending.

RECREATION

The government feels that, due to the increasing number of people who are using our recreational facilities, the development of parks and recreational areas must be accelerated.

In the past tourist season, the number of people who visited our provincial parks increased by ----- 16 per cent

The government, therefore, proposes to spend a total of -----\$2,400,000 on provincial parks in the coming year.

This is an increase of more than ----- \$400,000 over the current year's provision and ----- \$800,000 over the 1964-65 estimate.

REGIONAL PARKS

Special mention should be made of our regional parks program. The government makes a grant to

municipalities which form a regional park equal to 60 per cent of the initial capital costs of the park.

Up to the present time, 55 regional parks have been established, including 16 new parks established during 1965.

The government has before it 11 new applications for assistance.

The budget will provide ----- \$223,000
in the form of construction and development grants to regional parks.

This is an increase of 13 per cent over the current year's provision.

CAMPSITES

In addition, the government will spend ----- \$430,000
on campsites and other recreational facilities, such as picnic and historic sites in 1966-67.

The heavy utilization of these facilities, we feel, justified this level of spending.

PUBLIC SERVICE PENSIONS

In past decades, as a result of the depression, hundreds of public servants retired with pensions which were inadequate.

With the steadily increasing cost of living, the plight of some of these individuals has become most difficult.

Last session, legislation was introduced to increase those public service superannuation allowances:

- (1) which were granted prior to April 5, 1951;
- (2) which were less than \$1,200 a year for widows and \$2,400 a year for other pensioners.

This year, we propose to introduce similar action to increase all pensions granted up to April 1, 1954.

The average annual increase for widows will be about _____ \$109
and for other pensioners _____ \$218

The first year, the cost of these increases is estimated at approximately _____-\$23,000

CANADA PENSION PLAN

The government has also taken steps to integrate the Canada Pension Plan with the Public Service Superannuation Plan.

This will be accomplished by diverting ----- 1.8 per cent
of the public servants' salary between \$600 and \$5,000 per annum, along with a matching contribution
by the government to the Canada Pension Plan.

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The proposed integrated pension scheme will not increase the cost to the public servant since the rate of contribution for the Public Service Superannuation Plan will be reduced by a corresponding 1.8 per cent.

At the same time, the benefits of the superannuation plan will be reduced from 2 per cent for each year of service after January 1, 1966, to 1.3 per cent per year of service.

It is estimated that integration will require a payment by the government of almost -----\$1,200,000 to the Canada Pension Plan in 1966-67. This represents both the employees' and the government's contribution to the Plan.

PROVINCIAL-MUNICIPAL FINANCES

In this budget, I feel I must refer to the subject of municipal finance.

As hon. members know, last December, the government convened a provincial-municipal conference.

We did so because of our concern for the financial problems faced by local governments.

In recent year, local taxation has risen at an alarming rate.

In order to finance the increased costs of municipal government, the local authorities have been obliged to rely primarily on the property tax.

The result has been that the property tax burden in Saskatchewan has risen out of all reasonable proportion, and is one of the highest in Canada.

The provincial government indicated to the conference a desire to help local governments, within our financial capacity.

We reminded delegates that initially, we must always keep in mind our own duties and responsibilities.

In the years ahead, our administration is faced with staggering new expenditures in many fields.

We also indicated to the conference, that in our opinion:

- the main responsibility for finding municipal revenues;
- the main responsibility for curbing costs and spending;

must continue to remain with local governments.

We suggested nevertheless, that in a modest way, we were prepared in 1966, to increase financial assistance to municipalities.

We asked representatives from the three associations for their priorities.

In this budget, we are prepared to translate into tangible action, some of the views expressed at the conference.

I emphasize again, however, to those concerned, that all governments are faced with the problem of meeting unlimited demands, with limited resources.

(1) EDUCATION

As I have already indicated, the provincial government will pay an extra -----\$5,000,000 in ordinary grants for education, over and above the figure last year, to the various school units.

We are also proposing to pay an additional -----\$3,000,000 in the form of incentive grants, together with -----\$1,000,000 towards the school boards' contribution into the Canada Pension Plan.

We estimate that this -----\$9,000,000 assistance should permit the average municipality to reduce taxes.

(2) EQUALIZATION GRANTS

The SARM made strong representations for an increase in equalization grants.

Last year, the estimates contained ----- \$600,000 for this purpose.

In the coming year, we are prepared to increase this grant by -----\$1,400,000 to a total of -----\$2,000,000

(3) GRID ROAD CONSTRUCTION

At the conference, many rural delegates asked for additional help in constructing grid roads.

We are prepared to increase these grants from -----\$4,200,000 to -----\$5,000,000 in 1966.

This will provide for an increase of almost ----- \$800,000

(4) GRID ROAD MAINTENANCE

Many representatives from rural areas also expressed concern about grid road maintenance.

Up to the present time, no provincial assistance has been available for this purpose.

Commencing April 1st, we will be prepared to pay for grid road maintenance on a fifty-fifty basis, up to a ceiling of -----\$1,000,000

(5) COLLECTOR STREETS — URBAN AREAS

The urban municipalities urgently pressed for assistance in paving collector streets to main highways.

We have reviewed this question and are prepared to make a beginning in the coming year with such assistance.

A final formula has not been worked out, but in a general way — the government will spend up to ----- \$500,000 for this purpose.

In short, our government is prepared to increase direct grants to the municipalities for road construction and maintenance by ----- \$3,700,000

This will be, of course, over and above the present level of ordinary programs.

Hon. members will realize that the government will spend in 1966-67 ----- \$16,400,000 more on highways than we will receive from the gasoline and motor vehicle tax.

Under the circumstances, we will be obliged to find elsewhere, some portion of this revenue required.

Year after year, the rural municipalities have asked that one cent of the gasoline tax be earmarked for municipal road construction.

We have carefully considered the suggestion. As a result, the government has decided to raise the gasoline tax by one cent per gallon, effective March 15th.

The proceeds which are expected to reach ----- \$2,200,000 will be spent entirely in financing grid road construction and maintenance.

(6) SNOW REMOVAL ASSISTANCE

Over the year, many municipalities have repeatedly requested provincial assistance for snow removal.

Blocked roads become a major problem in years of heavy snowfall.

As was indicated in the Throne Speech, our government is prepared to make grants for this purpose, up to a ceiling of ----- \$250,000

Should this figure prove insufficient, we are prepared to review the matter one year hence.

(7) SASKATCHEWAN ASSISTANCE PLAN

The Saskatchewan Assistance Plan, which was unanimously accepted by all groups at the provincial-municipal conference, will result in an integration

of all public assistance programs into one program based on need.

This program will ensure better administration and assistance in the use of public funds for the medical and welfare needs of indigents.

We estimate the municipalities will receive direct financial savings of ----- \$400,000 under the proposed plan.

This budget provides total direct provincial financial assistance to local governments of ----- \$77,800,000 which is an increase of ----- \$15,700,000 above the current year's appropriation.

It is our hope that as industrial development continues and provincial revenues increase, we can gradually pass on additional assistance to the urban and rural municipalities.

FISCAL FORECAST

I should now like to discuss the government's fiscal forecast.

In making the forecast, as is the custom, we have assumed an average and normal crop of 18 bushels per acre.

Using this basis and anticipating continued economic buoyancy at both the national and provincial level, we expect our revenues to rise quite sharply in the coming year.

The major consumption taxes should all yield higher returns in 1966-67:

- the sales tax should yield ----- \$46,100,000
- the gasoline tax will likely reach ----- \$31,500,000
- the liquor profits are expected to rise to ----- \$19,100,000
- tobacco tax should yield ----- \$3,700,000

In total, we expect the consumption taxes to increase by ----- \$11,800,000 above the estimate budgeted in 1965-66.

Receipts under the federal-provincial tax sharing arrangements will be ----- \$19,200,000 higher than this year's original estimate.

Of this increase, about ----- \$6,200,000 is due to the additional 3 per cent abatement to the provinces on individual income tax and the effect of this on equalization payments.

The oil and gas programs which we introduced at the last session are already paying dividends, for both the Saskatchewan economy and the Provincial Treasury.

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In the coming year, these programs, plus the potash development, should result in total mineral resources revenues of ----- \$37,500,000
exceeding the 1965-66 original estimate by -----\$7,700,000

In total then, we are forecasting that revenues would amount to -----\$267,600,000

With the one cent increase in the gasoline tax which is being imposed
to help local governments, revenues would reach -----\$269,800,000

This would represent an increase of ----- \$48,800,000
above the 1965-66 original estimates.

On the other hand, as I have already stated, expenditures on the programs which this government intends to accelerate, will also be up sharply.

We expect that ordinary expenditures during 1966-67 will total -----\$260,500,000

This would result in a surplus to the government of -----\$9,300,000
We propose to use this surplus for tax reduction and relief.

ADDITIONAL SALES TAX EXEMPTIONS

In keeping with the government's promise to extend the list of agricultural items which should be exempt from the sales tax, this budget proposes to exempt on April 1st, an additional 13 farm items, they are as follows:

- Egg-room coolers and controls;
- Water line medicators;
- Poultry nests;
- Egg Coolers;
- Turkey saddles;
- Incubators and accessories;
- Farrowing crates;
- Cow trainers;
- Livestock tags;
- Halters and tying chains for livestock and harness for horses;
- Milk and cream cans;
- Teat dilators;
- Snow plough attachments to farm tractors and farm trucks.

SALES TAX INCLUSIONS

On the other hand, there is one class of goods which was originally exempted from the sales tax, which we propose to make subject to the 4 per cent levy.

Effective April 1st, soaps, detergents and other cleansing agents, will be included in the 4 per cent category.

Specifically included will be the following:

Ammonia
 Bleaches
 Blueing
 Chloride of Lime
 Cleansing Powders
 Laundry Starch
 Lye
 Toilet & Laundry Soaps, including
 flakes and powders

The effect of these first two changes will be minor, though the net effect should be to improve the budgetary revenues by at least ----- \$100,000

PROVINCIAL INCOME TAX SURCHARGE

We have long maintained that the income tax surcharge of 6 per cent, which was levied by the Socialists, is out of line.

We see no reason why citizens of Saskatchewan should pay more income tax than other Canadians.

Moreover, we feel that this is one tax where Saskatchewan can ill afford to be out of line, since it could have serious consequences for the economic growth of the province.

We would hope to eliminate this surcharge in the forthcoming years.

However, due to the increased demand for government services and rising expenditures, we cannot see our way clear to do this immediately.

In this budget, we wish to make a beginning. Commencing January 1, 1966, Saskatchewan income tax surcharge will be reduced from 6 per cent to 5 per cent.

This reduction will bring our levy in line with that of our sister province of Manitoba.

This reduction will provide Saskatchewan's income tax payers with an additional -----\$1,100,000 of disposable income.

HOME-OWNERS GRANTS

The Liberal party has long expressed concern over the level of property and land taxes in Saskatchewan.

In this budget we propose to do something about the problem.

In the current year, we shall commence paying a direct grant to homeowners, both rural and urban which in most cases will amount to ----- \$ 50

This grant will be paid directly to Saskatchewan residents who live in their own homes, for six months or more and who have paid their current property taxes.

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The amount of the grant to be paid to eligible property owners will be the lesser of \$50 or one-half of the current year's taxes.

It is estimated this program will cost in the first year ----- \$ 8,000,000
and will have the same effect as about a ----- 7 per cent
reduction in the total property tax.

Each home owner will become eligible for the grant when he has paid his current local taxes.

We will arrange to make application forms available at all municipal and provincial government offices.

LLOYDMINSTER

Last fall, I announced that the government would be obliged to seek a solution to end the situation whereby the people of Lloydminster were receiving full provincial benefits, but not paying a fair share of Saskatchewan taxes.

Today, for the most part, these citizens pay little or no sales tax, no tobacco tax, and not the full gasoline tax.

We have met with Lloydminster City Council and representatives of the Chamber of Commerce several times and invited these bodies to come forward with alternative proposals.

No acceptable solution has been reached.

We, therefore, intend to exclude property owners in the City of Lloydminster and rural areas in the immediate vicinity from receiving the Home-Owner Grant.

This will help partially offset the loss of the sales, tobacco and gasoline tax from the residents in that community.

I would point out that these taxpayers, on an overall basis, will still be making a much smaller contribution to the Treasury, than citizens in other parts of Saskatchewan.

Mr. Speaker: —

In short, this budget

- (1) Provides for increased spending on essential services, in the sum of ----- \$ 24,100,000
- (2) Brings additional direct provincial assistance to our local governments of ----- \$ 15,700,000
- (3) Provides for net tax reductions of ----- \$ 6,800,000
- (4) Forecasts a surplus in the coming year of ----- \$ 300,000

When these accomplishments are compared with the financial records of other governments in Canada, I feel we can take some satisfaction.

I think, for example, of the huge \$200,000,000 tax increases announced some two weeks ago by the government of wealthy Ontario.

CONCLUSION

Against the background of a second straight year of provincial prosperity, it would be difficult to be less than optimistic.

I believe that prosperity will continue, because it stands on an ever-broadening base of diversity — an achievements in agriculture, resource development, trade, and secondary industries.

But, if our present situation and prospects are pleasing, there can be no room for complacency.

I must offer a cautionary word.

A boom in economic activity has been too often followed by a lower cycle of retrenchment and frustration.

We must constantly watch for danger signs.

One of these signs, of course is the ever-present danger of unemployment.

This chronic difficulty can be eliminated only by increasing the number of jobs available to our people.

In a highly mobile and dynamic economy such as is evolving today in Saskatchewan, established skills and trades disappear and change constantly.

The battle to maintain a trained, versatile work force, with no unemployment, can be won only through constant attention to training and retaining of workers, — even though a substantial investment may be involved.

Any other approach is a luxury no expanding economy can afford.

I say again, Mr. Speaker, that I expect a high level of economic activity to continue in Saskatchewan.

But, I am also convinced that vigorous expansion will only take place if we continue to encourage and seek out private enterprise.

Saskatchewan is one of the last great undeveloped frontiers in the world.

I expect over the next decade, it will become one of the continent's boom areas.

The challenge to the government and our people is to most effectively utilize our resources to provide a better living for all our citizens.

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

Some Hon. Members: — Hear, hear!

Mr. A. E. Blakeney (Regina West): — Mr. Speaker, my first words must be to compliment the Provincial Treasurer on delivering a well-prepared address in a competent manner. The address itself and its contents reflect the competence of the staff whom the Provincial Treasurer had to call upon and his own competence in the field of finances.

Some Hon. Members: — Hear, hear!

Mr. Blakeney: — I compliment him on a speech well delivered. I hope the next words won't sound carping but I want to express a little regret that the custom of long standing about giving the opposition financial critic a copy of the Budget Speech in advance could not have been followed. It had been the custom in previous years for the Provincial Treasurer to hand to the financial critic a copy of the speech before the Provincial Treasurer entered the chamber. That wasn't done last year. I made some mild remark about it last year thinking it was due to the inexperience of the new Provincial Treasurer. I was sorry that this year evidently it was not possible to provide a copy of the speech until just over half an hour ago.

I did want, Mr. Speaker, to make a few remarks. I will of course make the bulk of my remarks on Monday, but there are a few things that I would like to say now. I think the speech is characterized primarily by what it does not say rather than what it says. I will deal with one or two aspects of it in that light.

Let's think first of the borrowing program which the Provincial Treasurer indicated he would be following and indeed that he followed last year. He told us that he raised his money last year almost exclusively by Saskatchewan Savings bonds and by borrowing in the United States. Now, Mr. Speaker, the Provincial Treasurer, when he was in opposition, very frequently called upon the previous government to exercise standards of financial prudence. He used to say that it was unwise to borrow extensive sums by Savings Bonds and that it was unwise to borrow extensive sums in the United States. He used to say this because when one raises money with Savings Bonds, one incurs a redemption risk. Savings Bonds are bonds which can be cashed at any time. And when one borrows in the United States one incurs an exchange risk; the risk that the rate of exchange between the Canadian dollar and the American dollar may change in a manner which would be adverse to the Canadian dollar. It is therefore surprising to see that the Provincial Treasurer relied upon these two relatively more risky ways of borrowing to gather up all his money and relied upon the Canadian bond market for virtually none of his money.

He prides himself on the fact that the Saskatchewan Savings Bonds have yielded more money last year and that presumably they will yield more money this year. There was never any doubt that more money could have been raised by the vehicle of Saskatchewan Savings Bonds. It was the policy of the previous government to limit the amount borrowed in any year on Saskatchewan Savings Bonds to a sum of \$10,000,000 or some amount slightly more than that; the object being to prevent the possibility of a run on these parity bonds, a run of the nature that was experienced by the government of British Columbia a couple or three years ago

when they found themselves in a difficult circumstances because of the large amount of parity bonds they had outstanding. In effect the government of British Columbia had to guarantee a higher rate of interest to all of the holders of these bonds. The whole purpose of marketing Saskatchewan Savings Bonds was to get them into the hands of borrowers who would not use them as a vehicle for trading on the money market. And this was done by limiting the amount to \$10,000 and by saying that the bonds could not be purchased by any corporation unless it had its head office in Saskatchewan.

Now, the Premier, forced to raise more money by this device, last year raised the limit from \$10,000 to \$15,000. This year he has raised the limit from \$15,000 to \$20,000 and he has removed the provision which says that a corporation which purchases these must have its head office in Saskatchewan. He further, I darkly suspect, has instructed a good number of the funds under his control to invest in Saskatchewan Savings Bonds. This of course, will increase the figures but will not in effect increase the sums of money available to the government in any way since these sums were at all times available to the government. I may be wrong on that. If so, doubtless I will be corrected at some later stage in the debate.

I was interested in the remark by the Provincial Treasurer in his last Budget Speech saying that the government believes that as a matter of policy we should borrow in the Canadian market. He then proceeded to borrow \$33,000,000, not one penny in the Canadian bond market.

A number of other things the speech did not say. I was certainly entertained by the remarks of the Provincial Treasurer with respect to the Saskatchewan Power Corporation. You will recall that he said that a large amount of the capital of this corporation was financed by borrowings. That many of these SPC bonds were owed to the United States holders; that this was at variance with CCF pronouncements; and that in fact very seldom do the CCF practice what they preach. Well, I excuse him because perhaps he hasn't had a great deal of experience in listening to preachers but all I want to say is this, that this is not what the CCF preaches. We have long said that there is nothing wrong with borrowing in the United States, with obtaining foreign capital, so long as it is obtained on a loan basis. If we must finance our development of Canada and of Saskatchewan by capital brought in from outside, and I am sure we must, then by all means let's finance it on a basis whereby it can, at some future date, be paid back and the equity in the capital development be owned by the people of Saskatchewan.

Some Hon. Members: — Hear, hear!

Mr. Blakeney: — This is indeed what can be done with the Saskatchewan Power corp. The Premier's figure of 7 1/2 per cent which he bandies about, excludes the investment in the corporation by farmers by way of contributions to construction cost. If this sum were included the amount of capital contributed by Saskatchewan people would be of the order of perhaps 15 or 16 per cent. However, the general point he makes, that a substantial portion of the capital cost of building the Power Corporation was supplied by borrowers, is accurate. And certainly I make no apology for that. I think that if we in Saskatchewan had not gone out and borrowed large sums of money to build this great corporation, if we had followed the financial practices so often urged upon

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The members who sit opposite us and on your right, Mr. Speaker, then there would be no Power Corporation . . .

Some Hon. Members: — Hear, hear!

Mr. Blakeney: — All of these are possible and were possible only because substantial sums of money were borrowed. I have no doubt that in due course these sums will be paid off. It may well be that other sums will be borrowed, but as they are borrowed new assets will be created and the people of Saskatchewan will have the equity position in a greater and greater corporation.

The Premier indicated very seldom do the CCF practice what they preach. Well, I reminded myself of some of the preachings of the Provincial Treasurer last year. I thought particularly of the psychiatric centre at Prince Albert. I remember the Provincial Treasurer and more particularly the Minister of Public Health (Mt. Steuart) making an announcement about that psychiatric health services in Saskatchewan. I remember that the announcement was in the budget; the estimates provided for a sum of \$250,000. I find that of that sum of \$250,000 budgeted for last year, not one cent has been spent. I find that in the new budget for the forthcoming year not one cent is provided. And I can only assume that this . . .

Hon. D. Steuart (Minister of Health): — Look in your salt mine you might find it.

Mr. Blakeney: — Well maybe . . .

Some Hon. Members: — Hear, hear!

Mr. Steuart: — They are digging the hole and building it as fast as they can . . .

Mr. Blakeney: — Yes, well, it may well be there but if it is I anticipate that it will indicate no more action on the part of the government than the budget of \$250,000 last year indicated on the part of the government.

Some Hon. Members: — Hear, hear!

Mr. Blakeney: — It is very easy indeed to put sums in the estimates as we found last year. An estimate of \$100,000 was provided for the base ho at Regina, not one penny of which was spent.

I really must compliment the Premier on the facility with which he used the figures which were contained in his budget. Members will have noted the large increase in grants to the university. He said this represented a major increase over the

grants previously given. He neglected to say that in the interim the teachers' colleges had been incorporated into the university. He neglected in calculating the sums previously contributed by the old government to add in sums which were used to finance the teachers' colleges. By this rather simple device he makes his figures look good.

I note how he makes his school grant figures look good by adding some \$6,000,000 which is for technical education into the school grant figure. When this is eliminated the actual increase in grants will be very small indeed.

I remember how this was done last year, how the sums for the technical schools which had been budgeted separately by the previous government were included in the school grant figure so that he could bolster up what was last year a most pitiful figure. I note that this year there is once again, never daunted, an amount in the budget for an extension to the technical institute at Saskatoon. It was in last year. The figure which was used last year for the technical institute at Saskatoon was \$405,000. The minister was good enough to tell me in a reply to my question a week or so ago that of this \$405,000 the amount which had been spent in expanding the technical institute in the last year was the sum of \$10. Now applying the same ratio I would reckon that this year they are going to get about \$50 or \$60 spent on the technical institute at Saskatoon.

I think that the story on technical education in which I will have a good deal more to say on Monday cannot be more dramatically illustrated than by asking any member opposite and any member on this side to go down in this city to the corner of College Avenue and Winnipeg Street and to see there the Miller Composite School under construction. There he will see before his eyes a full two-thirds of the effort of the government opposite on technical education throughout the whole province. Of the money spent on technical education, which money in the last two years has provided not one single place for one single student, two-thirds of the money is represented by that building under construction at the corner of College Avenue and Winnipeg Street, a building which is, as people in Regina will know, another composite school, but which members opposite persist in referring to as an institution for technical education.

Mr. Speaker, I want only to touch on one other topic before I take my seat and this is the Saskatchewan Government Insurance Office. I was pleased to hear the Premier's remarks that the insurance office is to be continued. I was pleased to hear that it had had a profitable year, indeed perhaps the most profitable year in its history. I was pleased to hear that with the millstone, as he calls it, of the Saskatchewan Guarantee and Fidelity Company, Limited no longer about its neck, it has a future of almost unlimited horizons, a future which will be profitable almost beyond our wildest dreams. I only regretted that at the end of this rosy picture the Premier had not explained to the House why he found it necessary to increase rates generally across the board on policies written by the Saskatchewan Government Insurance Office.

An Hon. Member: — To make them more competitive of course.

Mr. Blakeney: — There can, I fancy, be no possible explanation for that action based upon business reasons. I think we can seek our

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reasons elsewhere, reasons which probably would be found in the same general area as could be found in explaining the new financing policy for Saskatchewan Government Telephones. He said that the government is going to permit Saskatchewan Government Telephones to retain some \$2,000,000 of its earnings. I wish he had advised the House that the consequences of that policy, unless there are some new agreements signed and they are obviously not signed at this time — the consequences of this policy are to make a rather handsome gift to the Bell Telephone Company and to the B.C. Telephone Company.

The Premier shakes his head. If he has any agreements signed which will provide otherwise, I invite him to lay them before this House. Because on the agreements which now exist between Saskatchewan Government Telephones and the other carriers across Canada, this new policy will have only one effect and that is to bonus the Bell Telephone Company and B.C. Telephone Company.

Some Hon. Members: — Hear, hear!

Mr. Blakeney: — Well, I doubt whether the B.C. Telephone or Bell Telephone is likely to class as Socialist. It may well be as I earlier indicated that the reason for that and the reason for the increase in rates in the Saskatchewan Government Insurance Office are not wholly unrelated.

Mr. Speaker, there are a number of other topics on which I want to comment. I believe that the House will thank Member if I do not make my comments now but make them next Monday when I trust they will be somewhat better organized. Accordingly, Mr. Speaker, I beg leave to adjourn the debate.

Some Hon. Members: — Hear, hear!

Debate adjourned.

On the motion of the Hon. Mr. Steuart the Assembly adjourned at 4:32 o'clock p.m.