

**LEGISLATIVE ASSEMBLY OF SASKATCHEWAN**  
**Fourth Session - Fifteenth Legislature**  
**11th Day**

**Friday, February 17, 1967**

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

**WELCOME TO STUDENTS**

**MR. H.H.P. BAKER (Regina East):** — Mr. Speaker, I would like to inform the Legislature of the High School Champions of Saskatchewan who are going to represent this city and this province in the Dominion High School Curling Finals and I might mention that they come from the Balfour Technical Institute or Collegiate, my home town collegiate, one of the finest schools of learning in this community. They are being coached by Del Gorguis, one of their teachers. The Rink is composed of Ron Jacques as skip, Arnie Tiefenbach as third, Bill Alderton, second, and Randy Bruce as lead. I'm sure you would want me to wish them every success in the Dominion Finals on behalf of yourself and this Legislature.

**SOME HON. MEMBERS:** — Hear, hear!

**STATEMENT RE: PRESS REPORT**

**MR. G.T. SYNDER (Moose Jaw City):** — Mr. Speaker, before the Orders of the Day are proceeded with, I want to rise on a matter of personal privilege with respect to remarks by the Minister of Natural Resources (Mr. Steuart) last Wednesday relative to some remarks in a speech which I gave the previous day. Reported in the press both in the Moose Jaw Times Herald and the Leader Post, these remarks attributed to me were branded as completely false and I rise for that particular reason. I have had a host of telephone calls, Mr. Speaker, since the news release was printed from people who want to enlarge upon what I have already had to say. I have already released a statement to the Moose Jaw press and if the press in the Legislature is willing to accommodate me, I have a further statement that I wish to make to them later this day. I propose to do everything that I may do, Mr. Speaker, to bring about a complete investigation into this particular institution, and if the Minister of Natural Resources has any notion that I may apologize or retract anything that I have said up until this time, I hope he won't hold his breath because he will be a long time without oxygen.

**MR. SPEAKER:** — The question of privilege is something which affects the privilege of a Member conducting his duty as a Member of the House. If such was the case it should be referred to the committee on Privileges and Elections and that is a decision for the House itself to make. The Committee on Privileges and Elections will report back to the House. That is the question for

the House to decide.

### CONDOLENCES

**MR. I.C. NOLLET (Cutknife):** — Before we proceed to the Orders of the Day I should very much like to bring to the attention of this House — perhaps it was the intention of the Premier to do so — of the passing of a very notable citizen of the province and more particularly an outstanding public servant who has served 30 years as the Deputy Minister of Agriculture under some ten Ministers of Agriculture. It was my privilege to be so associated with Mr. Hedley Auld. This man has not only given an outstanding contribution to the agricultural aspects of our economy but in many other fields as well, both to the University where he organized the Agricultural Extension Services there and later as every one knows as Chancellor of the University of Saskatchewan. He was active in many local organizations and in his church as well. I will always remember him, as I think we all will, that is all who knew Dr. Auld, as a man of outstanding integrity, a man who lived a most exemplary life and who won the respect of all who came in contact with him. I am sure all Hon. Members present would join with me in paying tribute to this great man, our regrets at his passing and our condolences to the immediate family and all others who mourn his passing.

**HON. J.W. GARDINER (Minister of Public Works):** — Mr. Speaker, I would just like to add a few words to what the Member for Cutknife (Mr. Nollet) has said with regard to the late Mr. Auld. I had the opportunity, although there was a great divergence in age, of meeting Mr. Auld on many occasions and knowing him in a personal way, also of knowing some of his activities in the field of government in this province over the many years that he gave many years of valuable service to Saskatchewan. I am quite certain that all Members of this side of the House, as well as Members on the Opposition side of the House, would like to be associated with the remarks of the former Minister (Mr. Nollet) with regard to a man who has served our province well in the past and I believe deserves the recognition for this of all the citizens of the province, particularly in the field of our basic industry, agriculture, which, of course Mr. Auld played such a very active part in as Deputy Minister of Agriculture.

### SASKATCHEWAN SAVINGS BONDS

**HON. W. ROSS THATCHER (Provincial Treasurer):** — Mr. Speaker about a week ago the Saskatchewan government began its sale of Savings Bonds. It occurred to me that the House may be interested in the results for the first three days. I may say that \$1,238,500 were sold in the first three days, which is about \$300,000 better than a year ago. There is always a tendency for bond purchasers to hold off until toward the end of the campaign, but we are hoping that we shall achieve a figure of \$15,000,000 before the sale has been completed.

Mr. Speaker, while I am on my feet I should like to say that I have a message from the Lieutenant Governor.

### MESSAGE FROM HIS HONOUR THE LIEUTENANT GOVERNOR

**MR. SPEAKER:** — The Lieutenant Governor transmits Estimates of certain sums required for the service of the Province for the 12 months, ending March 31, 1968, and Supplementary Estimates of certain sums required for the service of the Province for the 12 months ending March 31, 1967, and recommends the same to the Legislative Assembly.

**HON. W. ROSS THATCHER (Premier):** — Mr. Speaker, I move, seconded by the Hon. Minister of Natural Resources (Mr. Steuart):

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

Motions agreed to.

### BUDGET DEBATE

**HON. W. ROSS THATCHER (Premier):** — Mr. Speaker, this will mark the third occasion, on which it has been my privilege to present a Budget on behalf of the new Liberal government, and make the Motion of Supply as Provincial Treasurer.

It has been my experience, that in government, there is no more difficult or frustrating task than the preparation of a Budget.

In the process, any responsible Treasurer must remember that every dollar he spends must first be taken from a taxpayer, whether individual or corporate. Consequently, there must be financial limitations upon what can be undertaken in any single year.

Months ahead of Budget Day, literally hundreds of appeals must be considered, and dozens of spending proposals carefully weighed. It is always easy to spend money, particularly when it is someone else's. The government, therefore, initially must make every effort to curtail unnecessary or unessential spending. It must squeeze and trim costs until it hurts. In this day and age, we seem to have reached a point where the accepted, normal and necessary phenomenon of competition for electoral support has been transformed into an unseemly auction of favors.

In this Budget, we have genuinely tried to see that the services our government is providing are in answer to legitimate demands. Having carried out this exercise, it is the duty of the Government to take the available revenues, and,

within their limitations, establish priorities for the various spending programs. Mr. Speaker, I am happy to say that for the third consecutive years this government has balanced its Budget and produced a surplus.

For the third straight year, we have been able to reduce the dead-weight debt of the Province.

The Budget, which I am placing before the House this afternoon, endeavors 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 1967 budget, I have kept several factors in mind.

1. The promises made by the Liberal Party in the last election.
2. The belief of the government that, after 20 years of Socialism, taxes in Saskatchewan are still dangerously high as compared to other parts of Canada.
3. That our rapidly expanding province requires sharply increased spending for such fields as education, university, health, highways, etc.
4. That much remains to be done to improve living standards for our people.

In preparing the budget, we have also been obliged to keep three unique circumstances in mind.

1. The overall buoyancy of our economy.

Economic expansion continued at a high level during 1966. We believe this expansion will continue in the coming year. Yet in passing, I must sound a note of warning. Our economy is still based primarily on agriculture. The outlook for Saskatchewan agriculture in general appears bright. The experience over the years, however, must temper any such bright optimism, with the knowledge that the most promising prospects can be blighted almost overnight. Our prairie agricultural economy is vulnerable to the vagaries of weather and changing market conditions. As usual, we have prepared the Budget assuming that our crop will yield the average of the last ten years.

2. We have been obliged to take into account the demand for public services, which continues to mount relentlessly.

There is every indication that spending on education, the university, health, highways, etc., must far exceed in 1967, any previous years. Many of these expenditures are virtually uncontrollable.

3. Finally, we have had to consider the new financial position of the province as a result of the recent Federal-Provincial Conference.

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That Conference dealt Saskatchewan a cruel financial blow. Over the years, as a have not Province, Saskatchewan has received huge sums in the form of equalization payments. Recently, we were notified that because of our changed economic position, these equalization payments would be discontinued. As a result of vigorous protests on the part of our Provincial Government, Ottawa relented to the extent that our equalization payments will be phased out over a five-year period. While this phasing out will be helpful, our over-all financial picture for the future has been seriously affected.

Over the next five years, we shall lose in grants approximately \$150,000,000 which would have been available under the old formula. This Government does not argue that ultimately Saskatchewan should not lose equalization payments if our prosperity continues. However, we do argue that the timing was both unfortunate and premature. As a result of depression, the war, and 20 years of Socialist Government, we have a great backlog of highway construction, university building, and school construction to finance. If the equalization payments had been continued during the period of adjustment, it would have been infinitely fairer to Saskatchewan. Speaking realistically, I think every citizen in Saskatchewan should realize that sooner or later the Government of the day will be obliged to find methods of offsetting this loss of revenue. Those three factors have to be considered in preparation of the Budget.

Mr. Speaker, I should now like to review the highlights of the Saskatchewan economy during 1966. In most respects, the year has been the most prosperous in our province's history. The main economic feature of 1966, of course, was the fact that Saskatchewan farmers harvested the largest wheat crop ever. Virtually every bushel of that crop has been sold, as I say, due to Liberal policies at Ottawa.

We estimate that the value of all grains produced this year taking into account the final payment by the Canadian Wheat Board should exceed \$1,100,000,000. Partly because of higher prices, partly due to increased marketings, we expect livestock income to exceed the 1965 level by about 17 per cent. Thus, in spite of higher operating and depreciation costs, farm net income in 1966 should establish a new high level of about \$640,000,000.

In the non-agricultural sector, many new records were again established.

In 1966, total investment in Saskatchewan reached about \$1,116,000,000, an increase of 14.2 per cent above 1965. This is comprised of \$647,000,000 in construction, and \$469,000,000 in machinery and equipment.

Total new construction rose by 14 per cent. This figure was gratifying, though I regret to say that house

construction declined, as it did elsewhere in Canada, largely as a result of tight money.

Manufacturing production has made outstanding progress during 1966. Final estimates of manufacturing shipments should reach about \$462,000,000, an increase of approximately 8 per cent. This is a significant increase compared to the average growth rate of 5 per cent in Saskatchewan manufacturing in recent years.

Mineral production will exceed \$362,000,000. This represents an increase of about 10.4 per cent over a year ago. We have seen particularly exciting expansion in both oil and potash.

High levels of employment and income pushed retail sales to about \$1,312,000,000, a gain of almost 6 per cent over 1965.

Total personal income for 1966 is expected to reach \$2,078,000,000, a rise of 13.02 per cent. On this basis, per capita personal income will exceed \$2,000 in Saskatchewan for the first time in history. Labor income in 1966 will reach \$905,000,000, an increase of 12 per cent over 1965. In summary, Mr. Speaker, 1966 was again a year of new firsts and new records for our province.

One year ago, in my Budget Speech, I forecast a modest surplus of about \$300,000. The bumper wheat crop has increased revenues from consumer taxes. At the same time, the falling off of housing starts has partly offset the gain in the returns from the education and health tax.

It now appears that total revenues in the current year will exceed estimates by almost \$12,000,000. Sales tax receipts should exceed the original estimate of \$46,200,000 by at least \$1,300,000. Gasoline tax receipts will likely reach \$34,500,000 — \$800,000 above the original estimate. Petroleum and natural gas revenues, including bonus bids will reach \$32,500,000 close to the original estimate. Motor vehicle revenues should bring in about \$500,000 more than the original estimates of \$10,000,000. Based on current revised Federal estimates, receipts under the Federal-Provincial tax-sharing arrangements (excluding statutory subsidies), are expected to exceed the original estimate of \$81,400,000 by \$4,700,000. Increases in several minor revenue sources account for the balance of the surplus revenues.

Most of this increased revenue will be used to advance capital spending. The Highways program was increased by \$6,500,000 over the original estimate. The Department of Agriculture has advanced construction of South Saskatchewan Irrigation Project, in order to be able to supply water for the multi-purpose water supply project southeast of Saskatoon in 1967. An additional \$1,000,000 had been approved for this

project. The Government has approved an additional grant of \$500,000 to the University of Saskatchewan to assist in capital construction. In addition to these major over-expenditures, there are smaller authorized over-expenditures, the details of which will be made available in the Committee of Supply. On the basis of these operations during the year, our original estimated surplus of \$300,000 now appears to be reasonably accurate.

I should now like to make a few comments on 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. As I have indicated on numerous in the past — the establishment and continued operation of a Crown corporation may be justified, in our opinion, only if it meets at last one of the following qualifications.

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

Since taking office, this Government has disposed of three of these publicly financed corporations which failed to meet these requirements on favorable terms:

- Saskair.
- Saskatchewan Guarantee and Fidelity
- Wizewood,

A fourth, the Industrial Development Fund was amalgamated with SEDCO. We believe there are other smaller corporations which could have made a greater contribution to the province under private ownership.

The Estevan Brick Plant continues to be a problem child. From 1961 to 1964, losses totalled \$337,000. By strengthening management, by adopting certain new policies the company for the second consecutive year showed a modest profit. These profits in 1966 were \$35,000. However, we are far from satisfied with the operation, and would like to sell it to private enterprise if the opportunity should arise. With this desire in mind, the corporate structure was changed during the past year.

The Saskatchewan Government Printing Company does not compete for private printing business. It receives all its business from the government and so does not incur selling expenses. During the past year, the policy of allocating a portion of Government printing to weekly newspapers around the province has been continued. You might be interested to know, sir, that weekly newspapers received \$95,000 in printing contracts.

This Crown corporation showed a profit of \$62,000 on a volume of \$576,000.

The Saskatchewan Government Insurance Office has been encouraged to expand in free competition with private firms. New facilities have been added to provide better customer service on a progressively growing volume of business. Last year, SGIO had its best year in history. Volume of general insurance business exceeded \$9,000,000. Profits were \$602,000. In all 518 employees worked for SGIO directly, including the AAIA operation. In addition there were 626 agents. We expect that the Insurance Company will earn its share of the insurance business, developing out of the long-term expansion in the provincial economy.

The Saskatchewan Transportation Company also experienced the best year in its history. Profits after depreciation were \$236,000. The number of people directly employed by this corporation during 1966 was 177. With the danger of rail line abandonment, the bus company may be called upon in the future to further extend its lines.

The Saskatchewan Sodium Sulphate Corporation has been one of the bright spots among out publicly owned companies. During 1966, the company enjoyed its greatest volume to date and earned approximately \$880,000 for the Saskatchewan taxpayer. At the present time 94 men are employed directly by this operation. As Hon. Members know, an additional plant is being brought into production by the corporation at Ingebright Lake. It is now expected that the plant, which will cost \$1,500,000 will come into production within a few months. The estimated production capacity of the Ingebright plant is 150,000 tons. Prospects are excellent for another year, though two privately owned sodium sulphate mines will likely come into production and, of course, will provide additional competition.

As I pointed out in my Budget Speech a year ago, many of the monopoly provisions of the Saskatchewan Timber Board have been removed. Private enterprise has been invited to establish in our northern areas and in rapidly doing so. In the past year net profits were about \$332,000. Approximately 425 men were employed during the year directly by the Saskatchewan Timber Board.

A special organization is being established to cut and deliver pulpwood to the new Prince Albert Mill. This organization will process the 1,500,000 cords required by the pulp mill in its first four years of operation.

The Saskatchewan Government Telephones for many years has been an efficiently operated company. Unfortunately, under the Socialists all profits were drained from the company and put into Consolidated Revenue. Thus, an expansion was financed by borrowing. In our opinion, this procedure was contrary to all sound business practice. At the present time — bondholders



have financed 82 per cent of the company. Shareholders own only 18 per cent.

Now the Socialists' policy caused the company to pay interest charges which increased annually in a staggering manner, as the debt burden mounted. Our government is determined to improve the equity position. This year we intend to allow the company to retain about 45 per cent of its profits for expansion within the company.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. THATCHER:** — Now, this of course affects our budget position. It means that \$3,000,000, which under Socialist policy would have gone into Consolidated Revenue, will not be available to the Provincial Treasury. The total proposed capital program in 1967 will be \$23,800,000, an increase of \$3,800,000 over the revised 1966 program. In 1967 it is proposed to complete the extension of direct distance dialing in North Battleford. The company will also convert the cities of Estevan and Weyburn to direct distance dialing. By the end of 1967, Mr. Speaker, 74 per cent of Saskatchewan Government Telephone subscribers will have access to direct distance dialing in North America.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. THATCHER:** — The conversion of 25 more exchange areas to community dial offices will be undertaken. By the end of 1967 there will be 186 dial offices in Saskatchewan, serving 91 per cent of all telephones in the province, including rural telephone subscribers. In 1966 the Government authorized Saskatchewan Government Telephones to commence a new cost-sharing program of extending telephone service to persons in Saskatchewan who did not have access to this essential form of communication. The response has been gratifying. In 1967, another \$500,000 will be set aside to expand this new program. The Government will assist in the financing of the 1967 capital program by borrowing \$8,000,000 for the Telephone Company, a decrease of \$4,500,000 from 1966. Despite a large increase in the capital program this substantial reduction has been made possible:

- (a) by allowing the Corporation to retain 45 per cent of its profits.
- (b) by the prospect of a larger return on its investment, and
- (c) by a carry-forward of the current year's advances to finance part of the 1967 capital program.

The Saskatchewan Power Corporation is by far the largest of our publicly owned companies. In the past, the government has been most dissatisfied with the rate of return on investment for this utility. Actually, Mr. Speaker, if proper

depreciation and depletion rates had been charged, we doubt whether SPC would ever have shown any real profits under the Socialists.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. THATCHER:** — Moreover, we have contended that for too much of the expansion in the past has been financed by borrowing instead of through profits. And I remind you, sir, and the people of Saskatchewan that when this government took office only 7 ½ per cent of SPC was owned by the people; 92 ½ per cent was financed by bondholders. Surely this situation was a reflection on the business capacity of the former Socialist administration.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. THATCHER:** — Under new management, Sir, under a new philosophy, SPC has made gratifying improvements in its financial picture. During 1966, after setting aside normal depreciation and reserves — and I may say those reserves are much more substantial than were set aside by a Socialist Government — we will show a net profit this year of \$10,400,000 or 2.3 per cent of the net plant investment in service. The equity-debt ratio has now been improved to - equity 11 ½ per cent, bonded debt 88 ½ per cent.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. THATCHER:** — Last year, the cash flow position increased from \$26,600,000 to \$30,800,000. Our Government is still dissatisfied with both the current rate of return and the debt-equity ratio. We inherited a situation where year after year borrowing had actually exceeded the total capital construction program of the Corporation. The Board of Directors and the management of SPC have taken steps to rectify this unsound financial picture. It will, of course, take several years to significantly alter the effects of years of mismanagement. Borrowing must, for the time being, continue on a large scale. The present economic boom in Saskatchewan has created many new mines, many new industries and all of them require vastly increased quantities of gas and electricity. But each year, more of this expansion will be financed from profits and cash flow, less by bonded indebtedness.

In 1967 we expect over-all power consumption in Saskatchewan will increase by 13 per cent. Slightly more than \$26,000,000 of the capital program will be used to increase plan generating capacity. Work will continue on the following projects:

- (a) 2 — 15 megawatt units at Success — \$2,000,000.
- (b) 3 — 62.5 megawatt units at Coteau Creek — \$11,300,000.
- (c) 2 — 150 megawatt units a Boundary Dam — \$11,900,000.

The principal gas transmission project in 1967 is a line from Saskatoon to Lanigan at an estimated cost of \$1,600,000. This line is required to provide to the Alwinsal and Allan potash mines. A three-year program to bring gas to another 85 communities has been announced by SPC. This program, including the Rosthern-Duck Lake project last year, will cost almost \$10,000,000 and will add about 10,000 customers to the SPC gas system. The 1967 program is expected to serve 3,000 customers in 23 towns and villages, at a cost of \$3,000,000. In 1967, Sir, it is estimated that the SPC will earn \$12,000,000 in profit. In view of the improved earning picture, we will request the corporation to pay a dividend of 25 per cent of approximately \$3,000,000 to the people of Saskatchewan out of its 1967 profits.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. THATCHER:** — This sum will go to Consolidated Revenue and in effect will offset the amount which will not be available from Saskatchewan Government Telephones.

I should now like to say a few words about our capital financing. During the calendar year, 1966, the province borrowed \$49,100,000, an increase of \$14,800,000 from the previous year. The increase resulted mainly from the larger capital program undertaken by the Saskatchewan Power Corporation during 1966.

With your permission, Mr. Speaker I should like to include a list of 1966 debenture issues:

Date	Maturity	Coupon	Payable	Amount
Mar. 15/66	Mar. 15/76	5 - 5 ½ %	Canada	\$12,336,300
Oct. 1/66	Oct. 1/86	6 1/4 %	Canada	\$15,000,000
Various 66	Various 1986	Various	Canada	\$19,380,000

In addition to these debentures issued, the province issued a Treasury Bill to the Government of Canada in the amount of \$2,400,000. I would like to comment briefly on these issues of debentures. Sales of Saskatchewan Savings Bonds, Series No. 6, amounted to \$12,336,300. This total, although less than in 1965, was considered most satisfactory in view of the uncertain market that has existed this year.

The yield to the investor on these bonds was 5.7 per cent

Saskatchewan Savings Bonds, Series No. 7, went on sale this week. This is the most attractive series ever offered to Saskatchewan residents, organizations and corporations located in Saskatchewan. Interest income will average 5.54 per cent over ten years.

The very high interest rates prevailing in Canada during 1966 proved very costly to borrowers in the long-term Canadian market. The province was indeed fortunate in that it only had to borrow \$15,000,000 in the Canadian long-term market during 1966. These 6 1/4 per cent debentures were issued on October 1, 1966 at a price to yield 6.45 per cent to the investor.

During 1966, funds from the Canada Pension Plan were made available to the province. Saskatchewan borrowed from this source a total of \$19,380,000 during 1966. These funds were used to finance capital expenditures in SPC and Saskatchewan Government Telephones.

In addition to the above debentures, the Government borrowed \$6,011,475 from the Municipal Development and Loan Fund in 1966. These proceeds were loaned to municipalities to finance projects eligible under this program.

Mr. Speaker, the deadweight debt as of December 31, 1966, was \$45,600,000, a decline of \$6,300,000 during the year.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. THATCHER:** — Deadweight debt as a percentage of total gross debt declined from 8 per cent to 6.7 per cent.

Total bond redemptions during 1966 amounted to \$21,500,000. The Government continued the policy of paying 3 per cent of the outstanding debt into sinking funds. Sinking Fund contributions in 1966, amounted to \$18,300,000. A total of \$142,500,000 was held in the sinking funds available for debt retirement as at December 31, 1966.

The Government presently assists local governments which encounter genuine difficulty in marketing their debentures, by purchasing up to 50 per cent of larger issues, that is in the rural areas. As a result of this policy, in 1966, 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 \$5,600,000 of the debentures issued. This represented 15 per cent of the total estimated \$37,000,000 of local government debentures issued in 1966. Hon. Members might be interested to know that the amount of debentures purchased by the Government in 1966 was \$1,000,000 more than in 1965.

In addition the Government has assisted designated industrial towns, such as Lanigan and La Ronge, by financing up to 100 per cent to their capital requirements until their assessments have grown sufficiently to enable these towns to market their debentures.

During the year, because of the tight money situation, municipalities experienced some difficulty in obtaining funds as was the case for other borrowers. In most cases, borrowing rates increased to 7 per cent and even 7 ½ per cent. The same situation, of course, has prevailed right across Canada. The Local Government Board has issued repeated warnings about the dangers of local governments borrowing at such excessive interest rates. May I, as Provincial Treasurer, Sir, join in issuing a word of caution. In the interest of most communities I believe real restraint should be used in capital borrowing for at least another six months. Fortunately, there are signs in the horizon that the tight money situation may be easing. We sincerely hope that by this autumn the various money markets may have returned more nearly to normal. In the meantime, with respect, I suggest that local governments which intend to proceed with capital programs should continue their planning and design.

The Government for some time has been giving consideration to the setting up of a Municipal Loan and Development Fund. The purpose of the fund, of course, would be to use the provincial credit, to loan money to local governments at the lowest possible interest rate. This, of course, would require the province to borrow substantial additional amounts of money. In view of the current tight money and high interest rates, the Government does not feel that the time is yet opportune for such a fund. However, we feel the proposal has much merit and hope that in the not too distant future some action may be taken. Now, Mr. Speaker, I turn for a moment to some of our major spending fields.

I believe most Hon. Members would agree that in Saskatchewan, education must be given top priority. The huge expenditures which this Government is making on education give tangible proof that we recognize such a priority. Every sign indicates that pressure for huge additional spending will continue to mount inexorably.

Total capital costs for elementary schools, collegiates, composite high schools in the coming year, are estimated at about \$34,000,000. Our officials tell us that an estimated 610 new rooms will be added to our school system in the coming year. We propose to finance more than double the capital expenditures on composite high schools in 1967.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. THATCHER:** — Last year, the Federal Government and Provincial Government spent \$61,150,000 for this purpose. In 1967 this

budget will provide \$12,400,000. The Provincial share of total capital school construction will be \$6,600,000. This is an increase of \$1,800,000 above the 1966-67 estimate.

During 1967, we propose to increase operating grants to school boards by somewhere in the neighborhood of \$3,900,000.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. THATCHER:** — The new figure will exceed \$52,700,000 and will be by far the largest Provincial grant paid in a single year. In the coming year, we will spend \$1,500,000 for northern area education — an increase of \$400,000. In short, Mr. Speaker, total school grants in the coming year will be almost \$70,100,000 (including \$9,300,000 in federal assistance). This is an increase of \$10,700,000 over the current fiscal year, and an increase of \$6,100,000 on a net basis. The proportion of total shared costs borne by the Provincial Government, if we exclude federal reimbursements, will be about 51.5 per cent.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. THATCHER:** — Now it is interesting to compare these huge sums, Mr. Speaker, on education. It is interesting to compare them to the Socialist assistance when they were in office. In their last full year, that was an election year, Mr. Speaker, the CCF-NDP gave schools not \$70,000,000 but \$37,600,000 including Federal contributions. The paid not 51.5 per cent of total school costs but 44.7 per cent, and as I say that was the highest in about 20 years of office.

During the Throne Speech, I elaborated in some detail on our plans for technical school expansion. The new school in Weyburn, together with the expanding facilities in Moose Jaw and Saskatoon, will require sharply increased expenditures. We must provide for a substantial increase in enrolment in the technology courses at Moose Jaw and a doubling of the courses and enrolment at Saskatoon. We are, therefore, proposing to increase the operating budget for the technical schools by approximately \$2,200,200, bringing the total in the coming year to about \$5,000,000.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. THATCHER:** — Grants made to employees being trained by industry will be doubled. This year in 1967 the figure will exceed \$225,000. This amount will now be financed by the Federal Government of Manpower, although the program will continue to be administered by the province. This Training - in -

Industry Program, which was initiated last year, provides basic training for skill development to upgrade the labor force. It also helps to retrain employed workers who may become permanently displaced as a result of technological changes. The first year of the Training-in-Industry Program was successful with approximately 850 trainees participating. Over 1,000 employees are expected to participate in the coming year.

In the current year, responsibility for the education of nurses and related health science personnel, was transferred from the Department of Public Health to the Department of Education. A centralized nursing school is being built in Saskatoon and a similar program will be undertaken in Regina within a few years. A shortened diploma nursing program of approximately two years in length will be instituted in these centralized schools. When the program becomes fully operative, the 11 existing schools of nursing will be phased out, with total responsibility for diploma nursing courses being assigned to the centralized schools.

Expansion of the University of Saskatchewan continues rapidly. The past year enrolment in the two campuses was 11,650. In the coming year, we expect another 1,100 students, bringing the total to 12,750 on the two university campuses. So far, despite what the Socialists have said in the coming session of the present session, entrance of students has not been limited where academic qualifications were met.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. THATCHER:** — I would like to point out to you today, sir, that 5,800 students in the Province of Saskatchewan are attending university by making use of federal or provincial loans. This is four times the number of such loans that were made in the last year of Socialist Government.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. THATCHER:** — And I would like to also point out to you, sir, that tuition fees for university students today cover only 17.5 per cent of the total operating costs of our university.

Most people agree today, I think, that it is absolutely vital that our universities have facilities to produce competently trained, well-education manpower. Thus, in the past year we had been encouraged to believe that there would be greatly increased federal aid for higher education. At the recently federal-provincial conference, we were disappointed that while we gained some help for universities, we lost Federal Government assistance on some aspects of the operating costs of trade training, apprenticeship training and vocational secondary education. The net effect was most discouraging.

Our Government has approved another major increase in the

University operating budget for 1967. In 1967-68 we estimate that the total operating budget will exceed \$28,800,000 an increase of 19.5 per cent. The operating grant from the Federal Government will be discontinued in 1967-68. Thus, the province will have to provide a total operating grant of \$16,400,000 in the coming year.

The capital requirements of both campuses are staggering. Presently we are completing a new Veterinary College at Saskatoon. We are constructing a new Dental College. Other buildings are proceeding according to schedule. During the coming year, we propose capital assistance totalling \$11,300,000. A large portion of this sum will have to be financed by long-term borrowing. In short, Mr. Speaker, total operating and capital spending by our University this year will be \$41,500,000 and of this total \$27,700,000 will be financed by the Government of Saskatchewan.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. THATCHER:** — Our Socialist friends today cry that we are short-changing our University. Once again, I remind the people of Saskatchewan that, when they were in power over a 20 year period, they gave the university an average of under \$3,000,000 for both capital and operating expenses. The most they ever gave the university was in the election year \$10,700,000. Compare that with the \$27,700,000 in this budget. There is also a new expenditure relating to grants to colleges. There is also a new expenditure relating to grants to colleges. This year, the Federal Government has discontinued this assistance. Therefore, we have been obliged to budget for operating grants totalling \$460,000 for this purpose. In addition, a \$120,000 capital grant for a new building for Campion College on the University of Saskatchewan, Regina Campus, has been provided. This is part of a total commitment of \$150,000 equal to 10 per cent of the construction costs.

Last year, for the first time, the Government provided free text books to all students in Grade nine. We allocated \$600,000 for this purpose. The budget contains another \$650,000 which will be used to provide free text books for all Grade ten students in the province.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. THATCHER:** — Proposed expenditures by this Government for education in the coming year total \$90,300,000 as against \$72,500,000 in the preceding year, an increase of approximately \$17,800,000. After making certain appropriate adjustments, we estimate that the net increase in expenditures on a comparable basis for education in the coming year will be about \$12,000,000. In short, Mr. Speaker, education will take about 30 per cent of our total budget.



The Department of Health continues to be the largest single spender of Provincial and Federal funds. Once again health costs have skyrocketed despite every effort on the part of the Government to hold the line. Several months ago the College of Physicians and Surgeons officially asked for an across-the-board increase in the fee schedule. If this were granted, it could well mean another \$6,000,000 or \$8,000,000 added to the present budget. With wages and salaries going up in virtually all fields, the College can probably make a case for some adjustment. However, in view of their present incomes, and in view of the provincial financial situation we have asked them to postpone their demands for at least one year. We hope that in the interests of the province, doctors can agree to this request. In the meantime we are placing \$500,000 in the MCIC fund to permit some adjustments for general practitioners.

In the coming year, the Legislature will be asked to vote \$66,800,000 for public health — an increase of \$9,400,000 over the original 1966-67 estimate. The gross spending on Health, adjusted for prepayments will be this year \$120,600,000, an increase of \$8,400,000.

The total estimated costs in the Saskatchewan Hospital Services Plan for 1967-68 are \$65,400,000. This represents another alarming increase of 10 per cent or \$6,100,000 over the 1966-67 original estimate.

The cost of medical care insurance is estimated at \$26,800,000. This represents an increase of \$2,200,000 or 8.9 per cent over last year's estimate. I remind the House that Saskatchewan continues to be the only province to finance alone a medicare scheme. We are most disappointed by the Ottawa decision not to proceed with the federal plan this year because such action will deprive our province of about \$10,000,000 during the coming year. In passing may I say that hospital and medicare premiums, or the so-called "medical heal tax" gave the Government about \$18,400,000. This means that the direct medical and hospital head tax covers only about 20 per cent of the cost of the two schemes.

Treatment of our mentally ill will require \$13,600,000 in our budget. This will include the costs of operation of the mental hospitals at Weyburn, North Battleford, and Yorkton, and the training schools at Moose Jaw and Prince Albert. The total amount required for these institutions will be \$12,600,000, about \$30,000 over the amount appropriated in the current year.

These figures indicate that although mental health care programs are expanding, the emphasis is shifting from institutional treatment to community out-patient care. Patients who were formerly institutionalized for long periods of time are now being released from the institutions after a short period of medical treatment, and placed in homes in the communities surrounding the regional centres. In this way, it is hoped

that patients will be rehabilitated more quickly, as a result of community help and acceptance.

About \$600,000 is budgeted for improvement and repair of institutions operated by the Department of Public Health. This includes \$310,000 at Moose Jaw, \$160,000 at Prince Albert, \$128,000 at North Battleford. The demand for new hospitals and new additions continues unabated throughout the province. In seeking to satisfy these demands, the Government must constantly keep in mind, that on a per capital basis, Saskatchewan has more beds than any other province in Canada or any state in the Union to the south of us. However, in the coming year, the Government proposes to spend \$3,700,000 for hospital planning and construction as well as the retirement of capital debts. This is an increase of \$300,000. In addition, as I've pointed out earlier, \$750,000 has been provided in the Supplementary Estimates for the Regina Base Hospital. If additional sums can be spent during 1967, we shall be prepared to place extra amounts in the Supplementary Estimates. In short, the Health Department this year will take 22 per cent of our total net budget.

The main task of the Department of Welfare is to look after the needs of those, who for various reasons are unable to provide for themselves. The Department has at all times endeavored to remove from welfare rolls those who are able-bodied, and in a position to become employed. At the same time, those who are in legitimate need. As Hon. Members know, in the past year to compensate for the rising living costs, the government adjusted the allowances to social aid recipients. The increase amounted to an average of 6 per cent. At the same time, we began participation with the Federal Government in the Canada Assistance Plan. The latter plan has meant increased federal financing.

The staff in the Department has been increased by 68 positions during the year to enable the Department to take over the administration of the program from the cities of Saskatoon, Regina, and North Battleford. Moose Jaw and Prince Albert are continuing to administer the plan locally. The next cost of the program is estimated at \$6,900,000 in the coming year, a decrease of \$1,100,000 below the 1966-67 budget.

Work has proceeded satisfactorily on the Women's Correctional Institution during the year. The new building will cost \$859,000 and should be completed this month. The new modern building will provide accommodation for 38 inmates.

The new Dales House in Regina is also nearing completion. The building consists of two institutions under one roof — one to accommodate six seriously disturbed adolescent girls, the other to accommodate 32 children. Five new positions have been approved for Dales House in 1967-68, bringing the permanent

staff complement in the institution to 15. About \$100,000 will be provided in the Department of Welfare's budget for Dales House in 1967-68.

Mr. Speaker, the increased opportunities for training and employment in the province, together with increased federal financing permitted us to reduce the net cost of welfare in this budget to \$16,900,000 which is a decrease from the current fiscal year of \$1,800,000.

Now, Mr. Speaker, agriculture continues to be the keystone of our Saskatchewan economy. And our government believes that it is our role to assist agriculture to diversify, so that a crop failure or loss of export markets will not totally cripple our farmers. Therefore, the bulk of our new programs in agriculture have been designed to advance the diversification of our farm economy.

During the Throne Speech, I elaborated on these programs. I shall not take the time of the House today to repeat the remarks I made on that occasion.

In the coming year, we shall spend a total of \$11,500,000 on agriculture directly. This is about \$800,000 below last year's estimate. This reduction is caused solely by the fact that as the South Saskatchewan project nears completion our payment to the Federal Government will be reduced by \$2,250,000 in 1967, as compared to the last year.

Over the past decade, more and more people in North America have come to realize that water is probably our most valuable natural resources. Saskatchewan has always been a province where we have been short of water, in the south, sometimes desperately short. With population increases and vast industrial expansion the demand for water is increasing to staggering proportions. The magnitude of the demand can be realized by the fact that one solution potash mine uses as much water as the city of Moose Jaw, which has 35,000 people.

About three years ago, the Saskatchewan Legislature recognized the urgent need to take action to conserve and properly utilize our water resources. It unanimously set up a Saskatchewan Water Resources Commission which has since undertaken a comprehensive survey of the province's water resources. Activities of the Saskatchewan Water Resources Commission include:

- (a) The granting and supervision of water rights;
- (b) The collection of basic water use data;
- (c) The preparation of water quality objectives and regulations;
- (d) The preparation of plans for water use and development;
- (e) The coordination of multi-purpose water projects.

In the coming year, the Government has allocated — \$496,000 to enable the Water Resources Commission to continue its function of managing the water resources of this province.

A year ago the Saskatchewan Water Supply Board was set up by this Legislature, to work in conjunction with the Commission. The purpose of this Board is to obtain and sell water in the same way that SPC sells electricity. The Board soon decided that the most critical water shortage in the province exists in the huge area southeast of Saskatoon.

Thus, as Hon. Members know, a multipurpose project was launched to provide water to the various people and corporations who need it. Scheduling of the project has been greatly accelerated due to urgent industrial and municipal needs. The main canal reservoir component should be basically completed by the end of 1967. And water will be provided to the potash mines and towns in the area. Total cost of the complete project will be in excess of \$25,000,000. Last year a start was made and \$1,700,000 was spent. In the coming year, the government will advance \$9,800,000 to finance the 1967 capital program. When the Board is able to deliver water, reasonable and equitable charges will be made. The charges, sir, will be expected to cover the costs of building and operating the supply system. In short, Mr. Speaker, the Province of Saskatchewan, over the years, will be obliged to spend ever increasing amounts on water development. But I am convinced that most of this development will be a self-liquidating asset of inestimable value.

This Government, as you know, continues to give a major priority to highway spending. We believe that the majority of the people are no longer willing to travel on dusty, dirty, main roads. And they want and expect our major routes to be either paved or oiled. Our government is determined to overcome the substantial backlog of substandard roads throughout the province.

Mr. Speaker, I remind you that in the last year of Socialist Government, total highway spending was \$24,200,000. In the fiscal year just completed, we estimate that we shall have spent \$54,000,000. In the past year 29,000,000 cubic yards of earth were moved. However, much remains to be done. Our Government proposes another increase in highway spending during the coming year. Overall expenditures during 1967-68 will be a minimum of \$56,000,000. The capital program has been increased by 32 per cent over the original 1966-67 estimate.

An amount of \$8,200,000 has been provided for the construction of 10 miles under the accelerated four-lane construction program. The 1967-68 capital program once again reflects a major shift of emphasis toward a greatly increased paving program. We plan to pave 36 miles during the coming year. Provision is also made for the grading of 558 miles, the oiling of 626 miles, including 235 miles of re-oiling of existing highways.

The urban assistance program will continue at a high level. The first major urban freeway constructed in the prairie

provinces will be completed in 1967. It will provide for 60 m.p.h. traffic from south of Saskatoon into downtown Saskatoon, with no traffic signals or stop signs en route.

An amount of \$4,200,000 is provided in the 1967-68 budget for northern highways. While we recognize that both population and traffic are light in the north, the government is determined to spend ever-increasing amounts in this part of the province. Only by so doing, can we expand and develop the tremendous potential of northern areas.

Between the time this government took office and the completion of next year's program, the provincial highway system will have been increased by 12 per cent to 9,750 miles. The additional mileage will be made up of:

1. 425 miles of grid roads integrated into the highway system;
2. 458 miles constructed by the Department of Natural Resources and transferred to the highway system;
3. 207 miles of new development roads.

We shall depend again upon private enterprise crews to do the great bulk of the work. We believe that every road contractor in the province should be able to work at capacity.

This greatly expanded highway program, Mr. Speaker will put some major strains on our budget. We shall be spending a minimum of \$56,000,000 on highways this year, and in addition giving local governments \$10,400,000 for road assistance. And yet, the motor user, through gasoline tax, the automobile licence tax, the driver's licence fee will only yield the Treasury \$47,400,000. In other words, the general taxpayer would be called upon to subsidize the automobile owner by approximately \$19,000,000.

This fact, together with our determination to give this province a highway system, second to none in Canada, has persuaded the Government to modify our method of financing highways in the coming year. Highway budgetary expenditures amounting to \$49,500,000 will be financed from current revenues. However, \$6,500,000 covering the cost of grading and paving our four-lane highways will be placed in a capital non-budgetary account. The four-lane highways will be used for many years to come. We see no reason why the people who use these facilities in the future should not help pay for a portion of the cost. This procedure has been used by other provinces very consistently. It was used by the socialists on numerous occasions when they were in office.

This four-lane program then will be amortized over a two-year period, with appropriate sinking funds provided. If revenues should prove to be more buoyant than expected, a portion or all of the \$6,500,000 will be transferred back to the current budget. I repeat once more, this Government is determined to

have a highway system, of which every citizen can be proud.

I turn now to the Government's proposal for expenditures on parks and recreational areas throughout the province. The government feels that because of the increasing number of people utilizing these facilities, developments of parks and recreational areas must be continued. We, therefore, propose to spend a total of \$2,900,000 on provincial parks and other recreational areas in the coming year. It is intended that four areas — Lake Saskatchewan, Moose Mountain, Green Water Lake, Echo Valley — will receive major attention during 1967. In addition, a sum of \$206,000 will be spent in the construction of new buildings in recreational areas, by the Department of Public Works.

Up to the present time, 59 regional parks have been established in Saskatchewan and the Government presently has before it, two new applications for assistance. We are proposing in the budget, to increase grants to regional parks by \$66,800 or 30 per cent. This will bring total expenditures for this purpose to \$290,000.

I turn now, Mr. Speaker, to the subject of municipal finances. Our Government has been concerned since taking office of the very high rates of local taxation in Saskatchewan. In order to finance the increased costs of municipal government, 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 it is one of the highest in Canada. Sir, I'm sure you wouldn't object to me reminding you that while we had 20 years of socialism, municipal local taxes went up by roughly 400 per cent. Now we're trying to do something about it. Our government last year increased direct assistance to local governments, including education by \$15,700,000. We promised to take another look at the situation again this year.

During 1967, because of the extra provincial assistance, some municipalities were able to hold the municipal tax line. Others were able to scale down the increase. Nevertheless, the pressures continue. The loss of equalization payments from Ottawa has altered our revenue picture in a major way. And this fact prevents us from bringing as much additional assistance to local governments as we would like. However, we do propose to make some modest increases.

As I have already indicated, this year the Provincial Government will pay an extra \$6,100,000 in ordinary grants for education. We intend to continue to pay \$1,000,000 towards the school boards' contribution to the Canada Pension Plan.

Last year, we increased unconditional equalization payments to rural municipalities from \$600,000 to a total of \$2,000,000 and this assistance received wide-spread acceptance from the municipalities concerned. In the coming year, we propose to increase equalization to local government by another \$400,000

to \$2,400,000.

In 1966, we inaugurated a program to bring Provincial assistance for snow removal on some of our major rural routes, and we made grants in the past year for this purpose, up to a ceiling of \$250,000. Again, this program has met with widespread acceptance. In this budget, we propose to increase snow removal grants by \$50,000 to \$300,000.

The grid road program, year by year, has added new mileage in rural areas. In the initial program, all municipalities had a given mileage to construct over a ten-year period. Next year 30 municipalities will have completed this program. Another ten municipalities will have one more or less left to construct. We wish to see the original grid road program completed in all municipalities. However, the SARM has repeatedly asked us to begin a program, which would permit additional assistance for feeder roads.

On behalf of the Government, I wish today to announce a new policy in connection with approved feeder roads or collector roads. Where a municipality has completed its grid road program, in the coming year, the Department of Municipal Affairs will consider financial assistance on the same basis for feeder or collector roads. These roads link main grid roads, and may be built to slightly reduced standards, for less money. The Minister of Municipal Affairs will give details of our program at a later stage in this debate.

We propose to increase grants for grid road construction from \$5,000,000 a year ago, to \$5,500,000 in the current budget. Maintenance grants will be paid on the same fifty-fifty basis as last year, up to a ceiling of \$1,000,000. Thus the total budgetary provision for the Municipal Road Assistance Authority in the coming year will be \$11,600,000.

Mr. Speaker, I should also like to announce another new Government program, which we think will help local governments. At the present time, farmers who are installing water and sewer systems on the farm, receive an individual grant up to \$300. At the same time, the larger urban centres who install conventional system may also receive financial assistance.

Several years ago, the Government began a new program, using plastic pipe to bring a cheaper water system to smaller hamlets. And there has been a good deal of interest and participation in this program. However, up until now there has been no grant available to such projects. The local government board, of course, approves the financial arrangements made of each individual application. In a general way, they demand a good deal higher repayment for the smaller centres, and a much shorter term of debenture issue, for obvious reasons. The government believes that people in these smaller centres have a right to modern water services, though, of course, we must be careful not to encourage installation of systems in communities

that are declining.

I wish to announce today that effective April 1st, the Department of Municipal Affairs will be prepared to make cash grants to municipalities up to a maximum of \$100 per connection. The average number of connections in these systems runs from 20 to 30. Therefore, we estimate that the department will be called upon to make an average grant of approximately \$2,000. We expect the whole program next year to cost in the neighborhood of \$50,000.

May I now say a few words about the homeowner grant. The Liberal Party has long expressed concern over the high level of local taxation. And again I must remind you, Sir, that during the years we had a Socialist Government those taxes did go up by 400 per cent without my hon. friends opposite doing much about it. Now, last year, in an effort to help the property owner, our Government introduced the homeowner grant. That grant has been paid directly to most Saskatchewan residents who lived in their home for six months or more. In the last year total grants amounted to \$8,200,000. On the whole the legislation has been well received. Dozens of homeowners have appreciated the assistance that they have been given as a result of this legislation; and many municipalities have indicated that the legislation has been of great value in ensuring that municipal issues are paid on time. For example, I'd like to read a letter from Wilfred Geber, the Secretary-Treasurer of the R.M. of Benson, No. 35:

On behalf of the reeve and the councillors of this municipality, I wish to convey our sincere thanks to you and your colleagues for implementing the homeowner grant. Because of this and the buoyant economy of Saskatchewan, tax collections have been the best ever here.

This letter is typical of a number which we have received. It is still the hope of the Government to gradually increase the amount of the homeowner grant. However, this year in view of the Federal equalization payment loss, we will continue to pay the grant on the basis of \$50 per year. In this budget, we are proposing a few minor amendments to the Act. 1. Local improvement taxes will now be included in the calculation of the homeowner grant. 2. Both owners of a duplex will be eligible for the homeowner grants. 3. An eligible applicant who sells his home may make an application for a homeowner grant any time during the year before December 31st, even though he may not be occupying the house at the time of application. We expect, in the coming year, to pay \$8,500,000 out in homeowner grants.

It is generally agreed today, that many civil servants retired in past decades with pensions which are now inadequate. With the steadily rising cost of living, the plight of some of these individuals has become most difficult. At prior sessions, the government increased those public servant allowances, which were granted prior to April 1st, 1954. In this budget, we propose to make further adjustments covering all



pensions granted between April 1, 1954 and April 1, 1958, which are below \$1,200 per year for widows and \$2,400 a year for other pensioners. The formula used in calculating these adjustments is based on a \$10 a year increase in pensions for each year of service with a maximum of 35 years. Thus the maximum yearly increase per pensioner would be \$350. The first year cost of these increases is estimated at approximately \$33,000.

For some time there has been a feeling in Saskatchewan that the assistance which the government is giving to libraries throughout the province is inadequate. In the past the socialist government gave nothing to cities, or virtually nothing. Moreover, most of our rural areas lack adequate library services. Thus, a special committee was set up by the government a few months ago. The committee held hearings throughout the province and made some very interesting recommendations. Initially, they reported that “the basic structure of Saskatchewan libraries appears sound. The skeleton, the framework is there, ready to build upon.”

However, the committee reported that the provincial library is weak and seriously understaffed, and not equipped for the job it should be doing. There are two library regions organized in the province now, and the committee recommended that at least one more each year be established. The committee also expressed hope that some financial assistance could be brought to Regina and Saskatoon libraries. In 1965, Regina received \$3,200 from their library, Saskatoon received \$2,400.

In last year's budget \$372,000 was provided for our library system. In this budget, we propose to increase expenditures by \$247,000 of which \$225,000 will be in the form of new assistance. This sum will be spent as follows:

1. A new Regional Library will be established as recommended by the Committee, in the Wheatland region — approximate cost \$70,000.

We would hope that next year the Yorkton area might be added.

2. Additional financial assistance mainly for staff and books, will be given to our provincial library to the extent of \$30,000.
3. Annual provincial grants to regional libraries will be increased from 75 cents to \$1.00 per capita at an approximate cost of \$85,000.
4. Grants will be made to our city libraries in the amount of 15 cents per capita.

Since Prince Albert, Weyburn, and Estevan already received regional grants, they will not be included in this latter program.

The new grants will replace any assistance given formerly. Approximately figures for the coming year will total: Moose Jaw — \$5,000; North Battleford — \$1,800; Regina — \$19,600; Saskatoon — \$17,300; Swift Current — \$2,100; Yorkton — \$1,800; Lloydminster — \$560; Melville — \$840. Total \$49,000. If finances permit, the Government next year will take additional steps, until gradually the committee's recommendations have been carried out.

Mr. Speaker, the Government in the past few months has given serious consideration to the eliminating or reduction of the estate tax in Saskatchewan. As Hon. Members know, the province shares this tax with the Federal Government — 75 per cent of the proceeds come to us, 25 per cent go to Ottawa. This year we estimate that the estate tax will give the government approximately \$2,500,000. On the other hand, it is estimated that Saskatchewan loses somewhere in the neighborhood of \$20,000,000, in estates which follow their owners to British Columbia, Ontario, the Bahamas or elsewhere annually. Our extreme climate tends to cause retired persons to leave Saskatchewan, taking their money with them. And this represents a loss of capital which is one of our vital needs. Time and again, although the money was made in Saskatchewan, the estate tax is paid somewhere else. Many businessmen and farmers are forced to forget plans for expansion, because they cannot afford the necessary reserve for estate taxes and succession duties.

The fact that Alberta is abolishing the provincial share of the estate tax at the current session of the Legislature, will accentuate Saskatchewan's problem. I wish to say categorically that if this government is in power after the next election, we shall abolish our share of the estate tax in Saskatchewan. Because of the current financial position the government does not feel that it can take action at the current session.

I turn now to the Government's fiscal forecast. Although we hope to see another bumper crop next year we have, as is the custom, based our revenue forecasts on an average and normal crop of just over 19 bushels per acre. While it is believed that the national economy will continue to advance, we have assumed a slightly slower growth rate than was achieved in this past year.

Given these assumptions, it is expected revenues from all the major consumption taxes will be up in 1967. Sales tax should return about \$50,000,000. Liquor profits — \$21,250,000. Gasoline tax — \$36,250,000. Tobacco tax — \$4,000,000.

In total we expect the revenue from the consumption taxes to increase by \$9,200,000 above the original estimate for 1966-67.

The Province's share of income taxes, excluding the tax points granted for financing higher education, will exceed this year's receipts by \$8,000,000. The new unconditional fiscal

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compensation for the financing of education includes four additional points of individual income tax, which yield \$6,000,000. One per cent more of the corporate profits, which will yield \$1,500,000. An adjustment grant of \$6,700,000 to bring our receipts under this arrangement up to \$15 per capita. In addition, we are assuming revenues from the federal Department of Manpower of \$1,500,000. This amount will be for the payment of 100 per cent of training costs for the use of our technical training facilities, to train adults under the federal manpower training program.

I wish again to emphasize that this is not all net gain to the Province.

During 1967, under the transitional arrangements, total equalization payments will be \$26,400,000. Thus, the Province will lose not only one-fifth of our 1966 grant, but also the normal increase that might have been expected under the old formula.

Receipts from Mineral Resources should yield \$37,900,000, an increase of \$600,000 over this year's revised estimates. We expect total oil and gas revenues to reach \$33,000,000. Potash revenues will be up \$300,000 to \$2,100,000. This budget provides an additional \$50,000 or a total of \$65,000 in incentive grants to encourage exploration to the pre-Cambrian Shield. In total then, Mr. Speaker, we forecast that all revenues will amount to \$303,000,000 in the coming year. This is an increase of \$34,300,000 over the year we have just concluded. 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 budgetary expenditures during 1967-68 will total \$302,700,000. This should result in a modest surplus of \$321,900.

Now in the past year, the trend all over Canada, indeed in most parts of the world, has been toward heavier taxation. Soaring provincial budgets have been the order of the day. I want to tell you, sir today that I am proposing no tax increase.

When this Government came into office in 1964, we found that Saskatchewan taxes on a per capita basis were virtually the highest in the nation after 20 years of Socialism. Since this time, the Government has endeavored to lower some of the most onerous levies. I remind the people of Saskatchewan that we have reduced the sales tax from 5 to 4 per cent. And today Saskatchewan has the lowest sales tax in all Canada, with the exception of Alberta. We have reduced the income surcharge from six per cent to five per cent. We have given farmers the privilege of using tax free gasoline in farm trucks. We have eliminated the mineral tax, the socialist mineral tax on farm lands. We have eliminated the sales tax on another 50 agricultural items. We have commenced paying homeowner grants. While it is true that in some cases there have been modest tax

increases, the net effect of Liberal action on tax has been an overall reduction annually of about \$20,000,000.

Now I invite Hon. Members to compare this action which has transpired elsewhere. The Federal Government time and again recently has introduced huge tax increases and still has had staggering deficits. The Government of Quebec, in the past several years, has increased taxes by almost unbelievable amounts. Last year the government of wealthy Ontario increased taxes by approximately \$200,000,000 and still it looks at though they'll have a deficit of \$140,000,000. My friend, the Leader of the Tories, should just look their budget over and compare it to ours. A short time ago, New Brunswick increased their sales tax from three to six per cent, a \$17,000,000 increase. Two years ago, Manitoba increased their taxes by \$16,500,000. Nearly a week or so ago, they increased their sales tax to give per cent or brought in a tax increase on a yearly basis by \$20,000,000. Even in oil-rich Alberta, they are forecasting this year a deficit approaching \$100,000,000.

In passing, Mr. Speaker, I would point out that Saskatchewan has the lowest sales tax in Canada, except for the Province of Alberta. Despite the actions of other governments elsewhere in Canada, despite the huge increases in expenditures this year, and despite the fact that we are the only province financing a medical care scheme, this government feels that the burden on our provincial taxpayers is already too high. I am, therefore, proposing no tax increases or tax changes in this budget.

Mr. Speaker, economic prospects in Saskatchewan are such that it would be difficult to be less than optimistic. Assuming at least a normal crop, I believe that prosperity will continue because it stands on an ever-broadening base of diversity. Saskatchewan today is a challenging and exciting place in which to live.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. THATCHER:** — In this budget, I believe we have adhered to the principles of the Saskatchewan Liberal part. We sharply increased spending in vital fields. However, that spending has been related to the economic capacity of the taxpayer. We have not increased taxes at this time. Rather, our Government is making every effort to widen the provincial tax base by bringing new industries and mines to this province. Sir, I suggest that if employment at good wages, proper care of the unfortunate members of society, than I submit that the Liberal Government has earned such a description.

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

**MR. A.E. BLAKENEY (Regina West):** — Mr. Speaker, I'm sure we were all interested in the

remarks of the provincial Treasurer, and I think our first words would want to be words of congratulation to him, because of the fine manner in which he delivered a well-prepared address, a copy of which now reaches my desk. Mr. Speaker, I was interested in the list of taxes which he gave, which he says were lowered by this Liberal Government. I wish he would have balanced the books and give this House the list of taxes which have been increased. Taxes on gasoline; taxes on soap and detergents, which Mr. Speaker, are hardly compensated for by decreases in taxes on de-beakers and turkey saddles; taxes on insurance premiums, mention of which I noted he left out of his budget address this day notwithstanding the fact that it was previously announced; the fact that Power is now being used as a tax source; the fact that local government taxes everywhere are spiralling.

Now, Mr. Speaker, there are one of two things I want to deal with first. I want to deal with a few of the minor points, as I say, of error or omission into which the Provincial Treasurer fell during the course of his remarks. He suggested for example that the previous government had in all years taken away the profits from Saskatchewan Government Telephones. In so suggesting he displays his lack of knowledge of that corporation. From 1944 to well into the mid fifties, every penny that was earned by Saskatchewan Government Telephones was plowed back in to further capital investments. And he knows or ought to know that the reason for requiring dividends from Saskatchewan Government Telephones was a sound business reason. He know or ought to know that it was a decision based upon the Trans-Canada Telephone System Cost Separation Formula. By this I mean to say that telephone revenues from long distance calls which originated in one province and ended in another were divided on the basis of a formula and that in the 1950's the Trans-Canada Telephone System amended that formula, amended it in order to make it necessary for each utility to show that I had incurred particular costs in carrying on this business, the so-called Cost Separation Formula. Dividends were a part of those costs. In order to get our proper and our fair share out of that formula we paid a dividend. Now, Mr. Speaker, I congratulate him if he has renegotiated the formula, but if he has not renegotiated the formula, but is not declaring a dividend, but is leaving money in Saskatchewan Government Telephones, then this is merely a bonus for Maritime Tel and Tel, for Bell Telephone Company, for B.C. Telephones, a bonus which ought not be paid by the people of Saskatchewan.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. BLAKENEY:** — Now, Mr. Speaker, he said that he was leaving money in Saskatchewan Government Telephones. Have you had a chance to look at the Estimates and note that he was proposing in this year's budget to take \$3,800,000 from Saskatchewan Government Telephones compared with last year's \$3,900,000, a difference of \$100,000. And he is using that as a n excuse for extracting \$3,000,000 from the Power Corporation.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. BLAKENEY:** — Well I think, Mr. Speaker, it will be well known to anyone that looks at the accounting records of the Saskatchewan Power Corporation that the increase in equity holding that he was so proud of, is a reflection, not particularly of the increased profits, although that is true, but more particularly of the slow rate of growth of the Saskatchewan Power Corporation. There has been a distinct drop off in capital investment for power and for gas, and I venture to think that when the Power Corporation's annual report is tabled, we will see that this year has been one of the lowest, perhaps even the slowest in the rate of growth of power generation and gas distribution, slowest for many years. They're pulling back on the reins, Mr. Speaker, and they're taking credit for it.

Now, Mr. Speaker, the little homily which the Premier read to local governments to hold back on their capital investment, will I think, be treated by them with the disdain with which it deserves, because what did he say. He said, "Don't undertake capital expenditure. Interest rates are too high. You should be holding back on your capital." But what did he do? Not only did he spend every penny that he budgeted for in his own budget, but he added in capital expenditures, an additional \$6,600,000 in supplementaries. It was \$6,600,000 that could have been used to assist local government in their capital financing problems.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. BLAKENEY:** — Mr. Speaker, he paraded before us an increase in regular school grants of \$3,900,000 as if it were something to be proud of. That will be one of the smallest and most niggardly increases in regular school grants in recent years. He has produced figures to prove that there is a huge increase in school grants, but how does he do this? He does it by piling into the school grant figures all sorts of things which weren't there before. Well, I'll just use one example, the one he used. Technical high schools — \$12,000,000. Mr. Speaker, in the last CCF budget, there was money for technical high schools, but it was not in school grants. The previous CCF government paid 100 per cent of the cost of technical high schools and put the money in the public works vote, but this government straining to get some responsible figure for school grants, has taken this \$12,000,00 and put it over into school grants. It doesn't mean an extra nickel for school boards; it just makes the Thatcher figures look a little better.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. BLAKENEY:** — Now, Mr. Speaker, I ant to refer to one of the factors which underlie this budget, and this is the government's failure in the field of federal-provincial negotiation. Mr. Speaker, we're still a have-not province and what we have not, the number one thing we have not, is a competent negotiator at Ottawa.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. BLAKENEY:** — This area of federal-provincial relations is absolutely crucial in measuring the competence of a Provincial Government and in this area the Government opposite has stuck out. They've swung three times and they haven't even got close. They didn't even hit a foul ball. All they do is make a few foul noises.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. BLAKENEY:** — Let's consider a little of the background of this problem. Since 1946 the Federal Government and the Provincial Governments have been seeking to find a way to distribute fairly the tax returns from all of the taxes collected from Canadian people. Much of the negotiation has centred on income taxes, corporation taxes and estate taxes. Since these negotiations started, the position of Saskatchewan has been put time and time again — clearly, repeatedly and unwaveringly. We have said this: a very large part of the personal incomes, the corporation profits and the estates, which give rise to the taxes that on these particular areas of activity come because of the location of large industries: industries like the electrical industry or the farm machinery industry, or the rubber goods industry or what have you. Where are these industries? They are in Ontario, Quebec and British Columbia. And why are they there? Because we as Canadians have decided that we are going to have industry in Canada and we put up a tariff to protect that industry. These industries exist behind the hothouse tariff. But all Canadian should share in taxes largely created by these industries; taxes on corporation profits, individual incomes and estates. Simply put, Mr. Speaker, we say that the taxes on corporations, individual incomes and estates should be collected by the Federal Government, and once the Federal Government has taken out its share, we say that the balance should be distributed equally among all the provinces of Canada on a per capita basis. Now this we have advocated year in and year out. It's never been wholly accepted, but what has been done is that provinces have been given credit for the taxes collected in their own jurisdiction and then additional payments have been made by the Federal Government to the provinces which have lower than ordinary yields. These payments are the so-called equalization payments.

Now, Mr. Speaker, first the Federal Government agreed to bring these payments up to the average of the highest three provinces. And the Government of Saskatchewan and other governments kept plugging away and these governments said, "let's have more." and the Federal Government agreed to bring it up to the average of the highest two provinces. In 1963, Mr. Speaker, we thought we had achieved our objective up to the average of the highest province. We thought this, Mr. Speaker, because in 1963, the Federal Liberal government in its election platform promised in these words:

A new Liberal Government will make equalization payments which will bring the other provinces up to the level of the richest in revenue per head from shared taxes.

Well now, Mr. Speaker, all of us know that the Liberals were elected and we in Saskatchewan faced these Federal-Provincial negotiations with a good deal of optimism. But, Mr. Speaker, the results have been devastating. The government opposite could not get the Federal Government to redeem its pledge. I think that surprised nobody having regard to the value of Liberal election promises, but what really surprised me was that the government opposite wasn't even able to get the Liberal government to keep the old formula. If that formula, which has been used in past years, had been retained, our equalization payment would be close to \$40,000,000.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. BLAKENEY:** — But, Mr. Speaker, the formula was changed. No longer were provinces brought up to the level of the highest two provinces, much less the highest as was promised. No longer will we get equalization payments to the average of the highest two provinces, not even to the average of the highest three provinces. The facts are, Mr. Speaker, that we are only to get equalization up to the national average and that formula change will cost us \$35,000,000 a year.

**MR. THATCHER:** — Tell Al Johnston . .

**MR. BLAKENEY:** — Our problems are due solely and exclusively to the formula change which the Premier was apparently powerless to stop. He just got down there with those sharpies at Ottawa and they took him to the cleaners.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. BLAKENEY:** — He probably made his little speech that he has prepared for giving to the Goldwater Society in Los Angeles. He gave it and he wondered why it didn't go over. Well, it certainly didn't. Of all the provinces in Canada, Saskatchewan came off worst in those negotiations. Far from being Big Number One, he was Little Number Two.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. BLAKENEY:** — Since coming back he has tried to put a good face on this fiasco by talking about our being a have province. Now let's be absolutely clear on this, 100 per cent of our loss came because of a formula change and zero per cent came from any increase in prosperity. Never in the history of this province has a Premier who supposedly had some influence at Ottawa been as ineffective in presenting our financial position. When the many failures of this Government are listed, the Premier's



failure as a salesman and as a negotiator is going to be very high on the list.

Mr. Speaker, I want to turn to one other subject and that's the general financial policy which this budget reveals. Here I'm going to hark back to some things I said two years ago. The former government followed a policy of, by and large, balancing its budget. We all know that this province suffered a great deal because of the load of debt which was incurred during the 1930s. I'm not here to blame anybody for that load of debt. The facts are that when we came out of the war virtually every person and every Government in Saskatchewan was burdened with debts. In this situation people and government used their resources to get their debt position in order. The result was a drain on the capital resources of Saskatchewan which carried right on into the early 1950s. Private citizens used their resources to pay off their debts. You can look at the retirement of farm debt as an example. Local governments did the same thing and so did the province. There just wasn't enough money for other developments. In the light of these conditions, some of the progress that was made, both individually and by governments, is really remarkable. The former government believed that we shouldn't be afraid of debt, particularly of the self-liquidating kind, but that we shouldn't be incurring debt in times of buoyant revenues. We had some small deficits in 1961 and 1962 which were more than covered by surpluses in 1973 and 1964. That's why I was disturbed, and said so, in my reply to the Premier's first budget, when the Premier started down the road of deficit financing. Members will recall that this was done on the easy plan. He just did it by little bits. Firstly he decided that he was going to provide the capital funds for the University by borrowing. Secondly, he decided two years ago that he was going to strip the medical care fund. This he did — of about \$9,000,000. And I called that budget a one-shot effort. I said there weren't many piggy banks left to rob. But I was wrong; it was a two-shot effort. Last year he found some other piggy banks. He continued his scheme of making the University finance its capital by borrowings. He stripped some millions out of the Student Aid Fund. He stripped a million out of the Saskatchewan Public Administration Foundation. With these little bits he managed to put together a balanced budget. But as it was inevitable, he's now come to the end of the rope. He must either cut back spending or increase taxes or run a deficit budget. Mr. Speaker, he knows as we all know, that the popularity of this government in the country is such that he couldn't dare cut back services or raise taxes, not just before an election. So he's made his decision that he's going to have some deficit financing in a big way.

**HON. D.V. HEALD (Attorney General):** — When is the election?

**MR. BLAKENEY:** — Well now you can choose your own date. That's right. You pick it and we'll be there.

I want to say a few words about deficit financing. For many years, the accounts of the Province of Saskatchewan have

been kept in accordance with the same fundamental principles which have been used by the Government at Ottawa, the Government of British Columbia, the Government of Alberta, and other provinces. Very broadly these principles are these. One, that in order to calculate whether you've got a surplus or a deficit, all expenses except advances on self-liquidating projects are to be charged to expenditures. Two, a self-liquidating project is one which will pay off the money borrowed out of its own resources without the use of tax money. Three, in calculating the debt or asset position of the province, we should deduct from the gross debt assets in cash or securities and the amount of debt which represents self-liquidating projects. For example, an advance to Saskatchewan Government Telephones would not be charged to expenditures because Telephones has money to pay it off. But an advance to the Department of Highways would be charged to expenditures because you can't pay for highways except out of taxes.

Now in 1965, I said it would be very easy for a provincial government to pretend that it is budgeting for a surplus, a surplus of \$329,000 or whatever the figure is, when in fact it is budgeting for a deficit. If the debt of the province over and above that for self-liquidating projects keeps going up, then the province is deficit financing whatever the budget says. In fact, Mr. Speaker, that is what is going to happen with the Premier's budget this year. Now I said that the Province of Manitoba has done this in recent years and is approaching the time when it will have to curtail its programs or increase taxes sharply. That's what I said in 1965 and I think we know what has happened. We know that they've had to put up their sales tax from zero per cent to give per cent in order to get their affairs in shape. And then again quoting 1965, I said:

The accounting system used by the Government at Ottawa and by Saskatchewan and by the other provinces is a good one because it gives the Legislature and the public the truest and most accurate picture of where we stand as a province.

But the government has already started down the road of deficit financing, as I said in 1965, by the device of having the University borrow for capital purposes. I said in 1965:

Now we must wonder whether the Government will next propose changes in our provincial accounting system to hide its deficits. I hope that will not be the case. If the Government believes that we should run our government in the red, I hope it will have the courage and honesty to show the deficit in the budget figures . .

**SOME HON. MEMBERS:** — Hear, hear!

**MR. BLAKENEY:** — . . I congratulate the Government for retaining our accounting system which gives the people the best picture of their affairs and urge it to do so when it presents another Budget.

So I said in 1965. Well, Mr. Speaker, the courage and honesty of this Government has lasted only so long as there were piggy banks to rob. When all the little funds have been cleaned out, in two years, the provincial Treasurer has decided to return to the deceptive accounting of the Liberal Government of the 1920s and the 1930s . .

**SOME HON. MEMBERS:** — Hear, hear!

**MR. BLAKENEY:** — . . to accounting which shows a surplus when there is none. He's decided to capitalize highways. He talks about the socialists doing it. Well, Mr. Speaker, I have the financial statements here for the year ending 1965 — you can pick any previous year — and you will find that on the balance sheet, the highways and the public works are carried at a figure of \$1. You will not find there any large capital figure for highways as an asset. The trouble with capitalizing highways is that it is all right for one year, but sooner or later it catches up with you. Suppose you do this, this year, and next year, and the next year, and so on, in 1974 you'll find yourself paying not for the highways of 1975 only, but for those of 1967, 1968, and 1969 and 1970, '71, '72, '73, and '74. There's precious little left for the highways of 1975. But the fact are that we are going to be building highways at just as great a rate in the year 1975 as we do now, and the only way we can do this is to continue the snow-balling of deficit financing or also pay as we go. The policy introduced by the Treasurer is one of short term opportunism and a long-run folly. It's deceptive. It will store up for us the same sort of problems they had in Manitoba when they had to increase a sales tax by five per cent in one short. Mr. Speaker, my objections, therefore, are two-fold, that the government has decided to deficit finance in a big way and, secondly, that it hasn't had the courage to admit it. Mr. Speaker, I certainly will have more to say on Monday. I just want to say that I happened to read Wednesday's Financial Post's report on business in which I saw a really remarkably perceptive article on this budget, so perceptive indeed that I couldn't escape the conclusion that the writer had a great deal of inside information. He was even able to guess that the surplus was going to be about \$300,000. Remarkable, Mr. Speaker, remarkable. Well, may I just question the propriety of the Premier baring his soul like this to the reporter of a Toronto newspaper. May I just remind him that sometimes you can trust the discretion of reports for Toronto newspapers and sometimes you can't.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. BLAKENEY:** — Surely he ought to know that. Well, Mr. Speaker, in concluding my remarks this afternoon, may I congratulate the Premier on the industry which he will announce on Monday. I've watched with amusement these little efforts to get a piece of the new coverage on Monday. Yes, and I looked back to the one in 1965, the big 1965 headline on the Monday that the financial critic for the Opposition spoke. It read like this:

Big Heavy Water Plan at Estevan.

Mr. Speaker, I extend the hope that Monday's announcement will have a little more substance than its predecessor.

Mr. Speaker, I beg leave to adjourn the debate.

Debate adjourned.

The Assembly adjourned at 4:29 o'clock p.m.