



**PROVINCE OF NEWFOUNDLAND**

**THIRTY-SIXTH GENERAL ASSEMBLY  
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NEWFOUNDLAND**

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**VERBATIM REPORT**

**WEDNESDAY, APRIL 10, 1974**

**SPEAKER: THE HONOURABLE JAMES M. RUSSELL**

The House met at 3:00 P.M.

Mr. Speaker in the Chair.

MR. SPEAKER: The honourable Minister of Finance.

HON. J.C. CROSBIE (MINISTER OF FINANCE): Mr. Speaker, the Province of Newfoundland is on the threshold of taking a much more significant role inside our great Canadian Federation. The past two years have been the most significant yet in terms of identifying the potentials we have as a Province - the next ten years will be crucial to the fulfillment of these potentials. In this my third Budget as Minister of Finance I am optimistic and encouraged by the opportunities which lie ahead.

I am confident as well that the overall approach which this Administration is following in guiding the development of our opportunities is sound and reasonable. It is an approach aimed at developing our resources to their fullest potential, while at the same time maintaining our distinctive way of life.

My first Budget, given in May of 1972, concentrated on disclosing the true financial position of the Province as well as committing Government to identifying our real financial and economic resources. My second Budget, delivered in March of 1973, represented a transitional step from the past and emphasized the need for the re-directing of the expenditure efforts of Government so that high priority areas could receive more concentrated effort.

The 1974 Budget represents the progress and achievements of this Administration in introducing new and expanded programs for the people of this Province. The Budget has been prepared against a background of sound financial planning and related policies required to ensure the long-range financial stability of this Province.

The effects of inflation, coupled with the needs of our Province for development and the real needs of our people for new and improved services has created a position where various alternatives had to be considered. These alternatives included the increasing of our revenues or, the reduction of expenditures on certain essential yet costly programmes and

the halting of the introduction of new and vitally necessary services. We have chosen the alternative which will allow us to continue accomplishment and progress as these are the objectives of this Administration.

Before proceeding with an outline of programs for 1974-1975 and the longer term strategy for an orderly development of our Province I would like to review briefly the financial year ended March 31, 1974. I am once again extremely satisfied with the final results which have been attained and the financial controls which have been exercised. In this regard it should be noted that there was a contribution to capital account from current operations of \$13,815,000 and that total supplementary supply amounted to \$10.3 million or only 1.7 per cent of total gross provincial expenditures.

It is apparent, Mr. Speaker, that the financial administration of this Province for the past two years has significantly improved the investment community's confidence in this Province. Investor confidence will continue to be a high priority for this Administration and the maintenance of and, indeed, improvement in our relationship with the financial markets remains a key objective.

The overall financial position for the year just ended as compared with the original estimates are shown in Table 1 which I will try and summarize.

The Revised Estimates show a Gross Expenditure in Current Account of \$469 million, Related Revenue of \$95 million and a Net Expenditure of \$373 million. Provincial and Federal Revenues total \$387 million. The Contribution to Capital Account was therefore \$13,815,000.

On Capital Account we had a Gross Expenditure of \$186 million. We had Related Revenue of \$50 million. So, our Net Expenditure on Capital Account was \$136 million.

In addition to that we had Redemptions of loans of the past totalling \$21,470,000. We had to contribute to Sinking Funds \$12,821,000. So that our Total Debt Retirement was \$34,291,000. The Total Borrowing Requirements for last year was therefore \$157,250,000.

The financial highlights, in summary, for last year were:

(1) Increased revenues on current account exceeded the original estimates by \$24,270,000 thereby offsetting expenditure increases and resulting in a contribution to capital account from current operations of \$13,815,000.

(2) There were decreased capital account expenditures of \$40.9 million resulting mainly from:

- I The fact that the amount of \$25 million was not required for the second oil refinery;
- II A slow-down in estimated expenditures under the DREE program due to difficulties with planning approvals primarily for schools and a construction activity amounting to \$9.6 million for school buildings, highways and industrial and residential servicing;
- III A decrease in the hospital construction program requirements of \$2 million.

(3) Last year the total borrowing requirements were \$52 million less than projected as a result of the increased contribution to capital account from current operation and as a result of the decreased capital account requirements.

The total borrowing requirements of \$157.3 million included \$21.5 million for debt retirement and \$12.8 million for sinking funds. These requirements were financed through capital market operations, Canada Pension Plan borrowings, DREE and other Government of Canada loans. The Province successfully borrowed last year in the capital markets of Germany, Switzerland, the United States and Canada. The Canadian issues amounted to \$40 million and combined with an issue of \$40 million in the United States reflect our desire to borrow primarily in United States and Canadian currencies. The Newfoundland and Labrador Power Commission also successfully borrowed \$20 million in the Canadian bond market under the Province's guarantee.

The complete details of the out-turn for 1973-1974 are contained in

three comprehensive Exhibits to this Speech and I therefore, keep this analysis very brief.

The performance of our economy and the inflation rate in 1974 will have a substantial impact on our expenditure plan. Newfoundland repeated its strong economic performance in 1973 as all major sectors experienced notable rates of growth. The Gross Provincial Product increased by 13.8 per cent, personal income increased by 14.0 per cent and the total number employed was up by 8.8 per cent over 1972. However, an increase of 8.2 per cent in the consumer price index partially mitigated these advances.

A summary of the 1974 economic outlook is presented in the following table. This is what we expect in 1974:

A Gross Provincial Product of \$1.95 billion or an increase of 12.5 per cent, almost \$2 billion. Personal Income of our people, \$1.68 billion or 12.5 per cent increase. The Personal Income Per Capita should be \$3.071 billion or an increase of 11.3 per cent. The Population should reach 547,000 or a 1.1 per cent increase. The Labour Force should reach 187,000 or an increase of 3.9 per cent. The Total Number Employed should reach 162,000 or an increase of 3.2 per cent. The Consumer Price Index is likely to be 152.3 or another increase of 8.5 per cent, and Retail Sales should reach \$752 million or an increase of 9.5 per cent over 1973.

During the past year, Mr. Speaker, the province has faced steadily rising prices and the effects of this spiralling inflation are reflected in this Budget.

The cost of living as measured by the Consumer Price Index was 11.7 per cent higher in February of 1974 than it was in February of the previous year. The cost of housing, transportation and especially food has risen rapidly in recent months. The Government is now paying 75 per cent more for reinforcing steel than it was last year and wood products are costing from 25 to 40 per cent more. Other materials such as bricks and copper piping have had similar sharp jumps in price. Materials used in road construction have also experienced very sharp increases.

In addition, the Newfoundland economy is highly dependent on petroleum products and the rising level of petroleum prices has already had a severe impact on Government costs. Although Canadian energy costs and supplies are of critical concern it is not anticipated that Eastern Canada or Newfoundland will suffer from a serious disruption in oil supplies. Although the price effects could be considerable, their magnitude is at present not clear. A clearer picture should soon emerge as a result of the agreement reached at the First Ministers' Meeting of March 27.

It should be clearly understood that there is little a Provincial Government can do to control inflation. Only the Government of Canada through its monetary policies, which affect the money supply and interest rate levels, and through its fiscal policies, which affect the various national taxation programs, has the ability to control and contain inflation. The impact of inflation on the Government in Newfoundland has been severe in that the resultant uncontrollable cost increases have impaired our flexibility in introducing new or expanding expenditure programmes.

The FINANCIAL PLAN for 1974-75: The desirability of developing the full potential of our human and natural resources is an accepted objective throughout Newfoundland. However, Mr. Speaker, the development and planning process often requires the sacrifice of certain short-term desires in the interest of achieving long-term goals which are more



beneficial. The achievement of long-term objectives requires a deliberate plan of action, an ordering of priorities and a making of choices.

We must recognize that we cannot do everything which we desire at once. This is just as true for the Government of Newfoundland as it is for each of our citizens. Our 1974 Financial Plan is a considered and conscious attempt at striking the balance between achieving long-term objectives and meeting short-term expectations. Conscientious and firm decision-making must be and is the mark of the Newfoundland Government and should be the mark of our people in 1974.

The most significant decision in the 1974 Financial Plan is the acquisition of the controlling shares of Churchill Falls (Labrador) Corporation Limited and all of the Labrador water rights of BRINCO. The cost of this acquisition is not reflected in this year's estimates as the funds required will be guaranteed by the Province and this investment will be self-liquidating from the assets we are acquiring.

The 1974-75 estimates do reflect, however, the desire of this Progressive Conservative Administration to continue to take further steps in the development of the Province including new and expanded current account programmes and large capital account programmes in health, education, highways and resource development. The 1974 Budget represents the largest Government spending programme ever in this Province. The estimates of expenditure are approximately fifteen per cent higher than last year's revised figures and amount to three-quarters of a billion dollars, \$752,633,000 to be exact. Of this amount \$554,765,100 relates to current on-going programmes and \$197,867,900 relates to capital projects.

The breakdown of our expenditure programme by major function is shown in Table 3 and I will not divide current and capital. I will just give the totals.

TABLE 3 - EXPENDITURE PROGRAMME BY MAJOR FUNCTIONS 1974-75

	<u>TOTAL</u>
Education	\$198,713,000
Health	148,487,000
Interest and Debt Management	82,220,000
Transportation and Communications (Most of which is devoted to highways)	76,667,000
Social Welfare	61,938,000
Natural Resource Development	50,145,000
Industrial Development	46,050,000
General Government	27,206,000
Protection of Persons and Property	17,692,000
Local Government Development	10,949,000
Recreational and Cultural Development	10,581,000
Other	<u>21,985,000</u>
Total Expenditure	752,633,000

The Current Account Expenditure Programmes are as follows:

First Education: Education continues to be the largest functional area of Government expenditure. In 1974-75 educational expenditure on current account will be \$160,807,000 or an increase of 19.1 per cent over last year. The major items that account for this increase are shown in the following table. (1) Teachers Salaries: This year are expected to be \$76,915,000 as compared to \$65,000,000 last year or an increase of \$11,915,000 or 18.3 per cent. Grants to School Boards this year will be \$14,750,000 as compared to \$11,735,00 last year or an increase of 25.7 per cent.

The grant to Memorial University will be \$23,700,000 as compared to \$21,250,000 last year or an increase of 11.5 per cent. University student aid will cost \$3,300,000 as compared to \$1,720,000 last year or an increase of 91.9 per cent. Vocational Instructors' Salaries this year will total \$7,272,000 as compared to \$5,661,000 last year or an increase of 28.5 per cent.

Mr. Speaker, if this Province is to develop its human resources in a manner which will allow us to meet the challenges of the next decade then priority in all fields of education must persist. This year this administration is introducing expanded programmes with respect to (1) operational grants to school boards, (2) student aid at Memorial University, (3) extended school days in vocational schools, (4) the pupil-teacher ratio, and (5) free textbooks.



We have reviewed our existing policy with respect to operational grants to school boards in light of escalating costs of school operations in this Province. The amount included in this year's estimates of \$14,750,000 is an increase of 26 per cent over last year. The basic per pupil allocation will increase from \$66 to \$82 per high school student and from \$64 to \$80 for other students. The library and resource material grant of \$5 per student will be increased to \$7 per student.

Mr. Speaker, the Government is aware that Memorial University has experienced a decrease in enrollment not unlike decreases in enrollments at other Canadian Universities. However, we are not prepared to accept this decrease in university education development and we have, therefore, in conjunction with members of the University administration and the Council of the Student Union, reviewed and re-evaluated the student assistance programme. The amount provided in this year's estimates for an improved student aid programme is \$3.3 million or 92 per cent over last year.

Under the present programme all students who establish need must first borrow \$700 per semester before they are eligible for provincial grants and allowances. It is our intention that this amount be amended for first year students so that they will only be

required to borrow \$450 per semester, the remainder being in the form of a Provincial grant. For students beyond their first year, it is our intention that the first \$500 of need per semester will be Canada Student loan monies and the remainder will be proportioned between provincial and Canada Student loans. In addition to lowering the amount that will have to be borrowed by most students, this Administration intends to increase the maximum allowance available per student. I think the amount is \$550 per year and per semester.

In order to expedite the processing of the educational assistance programme the Government will undertake a study into the streamlining of the administration of this programme. It is hoped that in the near future an educational assistance office will be opened on the campus and the student aid programme completely administered at the University.

Mr. Speaker, these changes will mean a significant improvement in the provincial student aid programme for Memorial students. We believe, however, that student aid, whether it is to university or to technical and vocational students, should be a national programme and should not depend on the varying financial capacities of the ten provinces ranging from the wealthiest to the less affluent Atlantic Provinces. I suggest that it should be a common objective of the University Administration the student representatives, and this Government to attempt jointly to persuade the Government of Canada to overcome regional disparities in this area by expanding the Canada Student Loan Programme to a Canada Student Grants and Loans Programme available to all students wherever they attend universities or technical and vocational schools in Canada. We are ready to make a joint approach to the Government of Canada to bring about a more satisfactory and a fairer student aid programme across this nation.

Mr. Speaker, in 1974-1975 an additional amount of \$1,611,000 will be spent on vocational instructors' salaries, \$1,100,000 of which is to provide teaching staff for an extended school day. It is expected that by keeping the schools open longer each day and thereby further

maximizing the use of existing facilities it will be possible to accommodate an additional 1,000 students to meet the growing demands of Newfoundland industry and the desire of our young people to develop needed skills.

I would also like to make a brief comment on the previously announced improvement in the pupil-teacher ratio in our schools. There are four basic components to this policy:

- (1) an allocation of one teacher for every twenty-six registered students in 1974, such allocation becoming one teacher for every twenty-five by 1976;
- (2) an allocation of specialist teachers in accordance with the pupil population in each school district;
- (3) an allocation of teachers for handicapped children, for native children and for small isolated schools;
- (4) an allocation of additional supervisory personnel to school boards, in accordance with the student population in each school district.

The implementation, Mr. Speaker, of this new policy will mean an additional 300 teachers to school boards in the schools next year, at a cost of \$1,400,000, an additional 200 teachers during the second year, and an additional 364 teachers during the third year. The total cost of this policy over the next four fiscal years is estimated to be \$17,240,000, exclusive of teacher salary increases and upgradings, now can more be less? Some people attempt to have us believe that more is going to be less. That is an additional 300 teachers this year; 200 the year after; 364 the third year. The cost is \$17,240,000.

1974-1975	\$1,400,000
1975-1976	3,300,000
1976-1977	5,670,000
1977-1978	<u>6,870,000</u>
Total	<u>\$17,240,000</u>

Mr. Speaker, when you include salary increases and upgradings the minimum additional cost of this programme over the next four years will be in excess of \$20 million.

Another educational policy to be expanded and improved this year is the free textbook policy now existing in Grades I to III. Free textbooks will be extended to include Grades IV, V and VI in the next school year. Under this arrangement textbooks will be provided free of charge to the students but will have to be returned to the school at the end of the year. On the basis of past experience, it is felt that approximately one-quarter of these textbooks will have to be replaced each year. The total estimated additional cost of this new policy this year will be \$500,000.

Health Programmes: The second largest need for Government expenditures, Mr. Speaker, is in the field of Health. In 1974-1975 current account Health expenditures are expected to increase by 17.4 per cent from \$98,013,000 last year to \$114,923,000 this year. The major item in this increase of \$17 million is the day-to-day operating costs of provincial hospitals and this is largely accounted for by (1) the increase salary costs of health personnel, (II) increased salary costs under existing collective agreements for hospital employees, (III) additional hospital beds that will come into service, particularly at Carbonear and Twillingate, (IV) the increased cost of food, supplies, fuel and electricity and (V) a general increase in the volume of services provided. Continued quality standards and efficient hospital services are a prime objective of this Administration and these increased expenditures are a necessity if Newfoundlanders are to receive the level of medical service which we feel they must receive.

Mr. Speaker, one area of great priority this year, advanced by the Minister of Health, our colleague, Dr. Gus Rowe, in the Health field, is ambulance services. We have added an additional \$250,000 for the 1974-1975 Estimates for an initial start on the implementation of a comprehensive ambulance programme which, when it is fully implemented, will make efficient ambulance service available to all residents of the province.

In the field of Social Assistance I must mention the new Social Assistance Programme which was introduced on January 1, 1974, by the

Hon. Ank Murphy, who we are happy to see is back in his seat with us today. This programme is providing increased benefits to over ninety per cent of all Social Assistance recipients in the Province with substantial increases to those who needed them most. The new programme is based on the fundamental principle that work should be more attractive to the able-bodied than welfare. Under the new programme all persons in need will be treated alike and the perennial, the old distinction in the amounts of assistance granted to sick and able-bodied people has been eliminated. The cost of this programme in 1974-1975 is estimated to be \$44.6 million of which one-half is recoverable from the Government of Canada. A great improvement, Mr. Speaker, on the previous programme.

Interest and Debt Management - I have outlined, Mr. Speaker, the cost-increase pressures on Government expenditure and these are reflected in our current account expenditure programmes which are increasing this year at an overall rate of 17.5 per cent. It is not my intention, Mr. Speaker, to streak through each individual department but one expenditure increase which should be pointed out is interest and debt management expenses. In 1973-1974 these totalled \$68,308,000 but in 1974-1975 they will be \$79,864,000 - an increase of \$11,556,000 or 16.9 per cent. Therefore, Mr. Speaker, in excess of \$11 million of our additional revenue in 1974-1975 will be required for interest and debt management expenses. We would be very silly if we did not take careful cognizance of that fact.

A very substantial portion of this year's expenditure on current account is for salaries and benefits to public servants. During the past year negotiations were carried out with some thirty public service bargaining units and most collective agreements were concluded covering this fiscal year. This year the increase in the total cost of public service salaries and benefits accruing from these current agreements is the highest ever.



The following table illustrates the breakdown of the estimated total cost of public service salaries and benefits for the forthcoming fiscal year.

Teachers and Vocational Instructors of which there are 8,250, will receive \$86,700,000; Government Departments of which there are 7,400 permanent employees, \$66,000,000; Hospital Employees of which there are 8,400 will receive \$60,200,000; Memorial University has 1,700 permanent employees and will receive \$20,000,000; Government Agencies, Boards, Commissions and Corporations having 1,950 permanent employees will receive \$16,950,000. This year, Mr. Speaker, there will be 27,700 persons receiving funds from the public chest by way of salaries for their employment, totalling \$249,850,000 or one quarter of a billion dollars.

In January of this year, Mr. Speaker, this Administration introduced a Group Insurance Plan for the employees of the public service. Public tenders were called and the plan was finalized after a very detailed study. The Government is paying fifty per cent of the cost of the plan with the Public Service employees paying the other fifty per cent. The portion of the cost of this plan which is payable by Government amounts to \$1,500,000 for this year. It is a significant advance in the benefits received by public employees.

Mr. Speaker, in my Budget of last year I announced an increase in pensions to be paid to former employees of the Newfoundland Government, to teachers and to others who had been on pension for some years. Many of those pensioners were receiving very low annual payments and they had received an increase in 1961 and no further increase until 1971. For ten years they had no increase. The rapid increase in the cost of living had compounded this failure to act in those years.

During the past year the difficulties which surrounded any individual who has to live on a fixed income have not improved. I am pleased to state now that we are continuing our Progressive Conservative policy of reviewing existing pensions and making adjustments to meet this problem.



In this financial year Government will for the second year in a row increase the pensions which are presently being received by retired civil servants, constabulary, penitentiary and fire department personnel, teachers, railway employees who retired before April 1, 1949, former Newfoundland Railway employees who transferred to Canadian National Railway on April 1, 1949 and who elected to keep their Newfoundland Railway service separate from their service with the Canadian National Railway, and former employees of the Civil Service who transferred to the Government on Canada on April 1, 1949 and who elected to keep their Newfoundland service separate from the service of the Government of Canada.

This increase will vary from \$480 per year for pensioners receiving \$2,000 per year or less; \$360 per year for pensioners who receive between \$2,001 and \$4,000; \$240 per year for pensioners receiving between \$4,001 to \$10,000; and \$120 per year for those pensioners receiving in excess of \$10,000 per year. This increase, Mr. Speaker, results in individuals receiving as high as a \$40 per month increase which in some cases will amount to a percentage increase in excess of thirty per cent. It should also be noted that widows and widowers of former public servants will also receive these increases.

The total increase will cost approximately \$657,000 this year as is shown in the following:

There will be 842 pensioners who are receiving less than \$2,000 and who will receive an increase of \$480, totally, \$404,160; 548 pensioners who will receive an increase of \$360 a year; 226 pensioners who will receive an increase in pension of \$240 per year and 15 pensioners who are receiving \$10,000 or over, will receive an increase of \$120 per year. The total cost for 1,631 pensioners will be \$657,000.

In summary, Mr. Speaker, the expenditure on current account is \$554,000,000 and this amount is offset by related revenues of \$110,000,000 for a net expenditure of \$444,000,000. The position this year as compared to last year is shown in Table 8. This year

we have a gross expenditure on current account of \$554,000,000 as compared to last year's expenditure of \$469,000,000, for an increase of \$85,000,000 in expenditures on current account this year.

In the Resource Development Programmes, Mr. Speaker, which I would like to touch on next. Mr. Speaker, this Administration has spent much time and effort during our two years in office, just a short two years, (with all the advances we have had, Mr. Speaker, since then, some people think it has been longer but it is only two years) examining where we are and where we are going in the development of this Province. Planning Task Force Study Groups were established, additional expertise was acquired in the Public Service and even, more important, Mr. Speaker, Cabinet has devoted the highest priority to this matter. From all of these efforts a development strategy is emerging which we hope will enable Newfoundland to realize its full potential as a Province of Canada.

We are confident, Mr. Speaker, that the last quarter of this twentieth century will thrust Newfoundland into a stage of maturity in its industrial development. The increasing world-wide recognition of natural resource shortages, of location problems due to energy difficulties, and of a lack of deep water ports, all indicate a much more important role for Newfoundland in the future, if we are ready to do what is necessary so that we can fulfill that role. Therefore, the most exciting prospects for this Province, Mr. Speaker, are in the industrial development area.

The strategy we are pursuing has as its goals (I) the establishment of resource related industries in a manner consistent with our desire to maintain our natural environment; (II) the creation of more satisfying and meaningful employment for an increasingly better educated and more demanding labour force; and (III) improvement of the revenue base of this Province through a realistic taxation relationship with private industry.

To implement a long-term strategy which encompasses all of the sectors of our economy in a manner which would bring significant benefits to this province requires large amounts of public funds directed into the most meaningful areas. The 1973 Budget indicated such a redirection and this year's Budget puts that strategy into full effect.

First, Hydro Resources: The most significant decision in our strategy is the agreement with Brinco for the Province to purchase control over the hydro resources of the Upper Churchill project through Churchill Falls (Labrador) Corporation Limited and to purchase back all of the water rights in Labrador, to purchase back the water rights that were given away in 1953.

Newfoundland must have an increasing supply of energy in order to move ahead on economic fronts. No nation, Mr. Speaker, or region can attain a high level of development without an intensive and intelligent use of energy. Of course, we know many other factors affect this development but the efficient use of energy is an essential ingredient. A nation or region like Newfoundland with its own sources of renewable energy has a distinct advantage, especially in light of current world energy conditions.

Mr. Speaker, this Progressive Conservative Administration is determined to see that our energy sources are developed and that power is available to both the Island and the Labrador regions of this Province, to encourage industrial development and to provide a secure and reliable supply of energy at a stable price for all consumers - domestic, commercial and industrial. The development of the hydro potential of Labrador has significant advantages to the Province of Newfoundland, both sections, which are greatly enhanced by the world energy situation.

Let no one, Mr. Speaker, be under any misapprehension as to the absolute necessity for control by this Province of its own hydro potential in Labrador. The extensive studies that we initiated show beyond doubt that a substantial part of the hydro power developed on the Lower Churchill River must be delivered to the Island of Newfoundland. Without Labrador hydro power the future costs of energy in Newfoundland would ascend so greatly that the continued development of a commercial and industrial base would be extremely difficult for this Province. In fact I would go further, Mr. Speaker, and say it would be impossible for this province. The hydro resources of Labrador have to be developed for the utmost benefit of the people of Labrador and of the Island part of this Province.

The availability of hydro electricity, from the Upper Churchill and Gull Island sites (7000 megawatts) (7 million kilowatts) per year, from the several other Labrador sites mentioned by the Premier two weeks ago, capable of being developed (3600 megawatts) and there is more besides that, and from the existing generation and power distribution system on the Island, operated by the Newfoundland and Labrador Power Commission, will facilitate the continued expansion of existing industries and will assist the successful implementation of our industrial strategy.

The cost of the purchase of the shares of CFLCO owned by Brinco and all the water rights has been agreed upon at \$160,000,000. The purchase price resulted from a valuation of approximately \$130,000,000 for the controlling shares of CFLCO and approximately \$30,000,000 for all of the Labrador water rights including development work already completed, all related plans, studies, maps, and documentation and the continued Brinco involvement in the Upper Churchill and Gull Island sites. In addition to this amount, Mr. Speaker, the Government anticipates spending \$14,000,000 in 1974-75 on the start-up costs for the Gull Island site and the transmission lines to this Island. These amounts will be raised under a Provincial guarantee by the developing agency. I would like to point out here, Mr. Speaker,

that the complete details of the acquisition and development of the hydro resources in Labrador are contained in a special supplement to the Budget so that anyone interested can read them all there.

I should also point out, Mr. Speaker, that the Newfoundland and Labrador Power Commission and the Rural Electricity Authority will require \$22,014,900 in 1974-1975 and that the amounts have been provided in the Estimates as follows: Under the Industrial Incentives Act, the Power Commission will be paid \$10,431,000; for Generating Capacity \$3,000,000; the Rural Electricity Authority will have an Operations Grant of \$6,400,000, that is the authority, Mr. Speaker, that brings power to the rural areas of this province; the Rural Electricity Authority will have a Capital Grant of \$2,183,900 and the total is \$22,014,900.

Forestry Resources: The next sector of our resources, Mr. Speaker, that we are giving priority to are the forestry resources. In the forestry industry significant changes have been occurring. The Government has taken the leadership in expanding this industry to provide for a more rational use of the forest resource. There is now before the House of Assembly, introduced by the Minister of Forestry, Mr. Maynard, legislation which will assist in the proper long-term management of our renewable forest resources. The legislation will require every owner of 300 acres or more of forest land to either submit for certification by Government a forest management plan utilizing the annual sustainable yield of such land or they will pay taxation on the basis of unmanaged land. The objective is to ensure that valuable trees are not wasted and that the Province's resources are managed to everybody's interest.

The management control and taxation provisions of the new forest legislation will result in proper utilization of our forest resources on an annual sustainable yield basis so that adequate wood supplies will be available to all the mills now operating on this Island, to the sawmill industry of the Island and for possible expansion either



of the present mills or other facilities. In this way, Mr. Speaker, for the first time in this Province, there will be public control and management of one of the basic resources on which we depend. Not twenty-three years, Mr. Speaker, two years, it has taken for this policy to be evolved.

In addition to this management programme the Government - assisted sawmill operations of Newfoundland Forest Products Limited at Hawkes Bay and the Government-owned Labrador Linerboard Mill are a major force in the forest industry, employing some 1300 workers. An amount of \$17 million is included in the Estimates for Labrador Linerboard Limited to assist in capital improvements, the purchase of woods equipment and to meet debt repayment and interest costs.

In the 1974-75 Estimates an amount of \$11 million approximately has also been included for the maintenance, operation and development of the forest industry in the following ways: Forest Access Roads \$4,145,000, a huge increase over the past, Mr. Speaker; Forestry Conservation and Development \$1,856,100; Salaries and Expenses \$1,844,700; Protection Against Forest Fires \$1,555,000; Forest Inventory and Surveys \$1,014,800; Other \$400,000, for a total of \$10,815,500.

I should also add, Mr. Speaker, that Government is playing a significant role in the development of sawmills at Gambo, Bay D'Espoir and Roddickton which will have a combined capacity in excess of \$25,000,000 board feet of lumber per year.

Mineral Resources: The mining industry in Newfoundland has expanded primarily in Labrador and of course is also an important user of energy. As an example, the major expansion of the Iron Ore Company of Canada plant at Labrador City will require approximately 60 megawatts of hydro electricity. Iron Ore is also mined by Wabush Mines as part of the Labrador iron ore deposits that rate as one of the largest iron ore bodies in the world.

The Government's strategic actions in the mining industry will be determined after the Royal Commission on Mineral Taxation has reported.



However, there have been certain important changes in concession granting, staffing and research facilities already have been taken as preliminary steps. In this year's Estimates an expenditure of approximately \$2 million has been included for mineral development.

Fishery Resources: The fishery; Mr. Speaker, significant moves are also being taken in the fishing sector of the Province's resource development strategy. The fishery remains the main employer of Newfoundland workers and this administration is attempting to hasten the pace of change in what has been a traditionally slow-moving industry.

The Department of Fisheries has been reorganized and expanded by my seatmate here, Mr. Collins, the Minister of Fisheries, and co-ordination with the Federal Department of Fisheries improved. The 1974-75 Estimates of the Department make provision for expenditure in the fishery sector of \$14,256,500, the highest I believe in any year of our history, which comprises the following:

Fishing Demonstrations	\$1,574,100
Fishing Gear Bounty Programme	1,400,000
Fishery Service Centres	2,100,000
Fish Handling Facilities	950,000
Slipways and Haulouts	400,000
New Construction Bounties	1,700,000
Fisheries Loan Fund	2,500,000
Conversion of Fishery Vessels	500,000
Multi-Purpose Boat Construction	250,000
Other Programmes	<u>2,882,400</u>
Total	\$14,256,500

The Treasury Board is helpless before the onslaught of that minister.

It is significant, Mr. Speaker, that this is a 40 percent increase over last year and indicates the importance

which the fishery must play in our development as a Province and the priority which this Administration gives to it.

Mr. Speaker, I should really ring a bell now and say; "Now, hear this!"

One of the new programmes in Fisheries is the new fishing gear assistance programme which is designed to (I) help fishermen cover the cost of acquiring new fishing gear; (II) it is designed to motivate fishermen to divert their effort to newly developing fisheries; (III) it is designed to promote the widespread use of quality-oriented gear; and (IV) to increase potential earnings to fishermen arising from premium quality fish landings. The total cost of the program is \$1,400,000 and it extends subsidies on fishing gear made from natural and synthetic fibre as follows:

Ground Fish Gill Nets and Webbing, the subsidy will be \$25 and \$12.50; Trawl and Hand Lines, the subsidy will be fifty per cent. Now, Mr. Speaker, those were the two items covered in the previous programme. The following items are new, the New, expanded Fishing Gear Subsidy Programme: For Herring and Mackerel, Gill Nets and Webbing, a subsidy of fifty per cent. For Cod Traps - Conventional, a subsidy of forty-five per cent. For Cod Traps - Japanese, a subsidy of sixty-sixty per cent. For Twine and Netting for Repairs to Cod Traps, a subsidy of fifty per cent. For Ring Nets and Purse Seines, a subsidy of fifty per cent and for Caplin Beach Seines, a subsidy of fifty per cent.

One again, Mr. Speaker, it should be noted that subsidies were paid formerly only on trawl and hand lines and ground fish gill nets and webbing before this new policy is announced and before this provision in the estimates.

In the Fishery area, Mr. Speaker, we have also let contracts to the Marystown Shipyard for six deep sea trawlers at an estimated net cost, the cost to the Province, of approximately \$15 million to provide the raw material for vulnerable seasonal plants, particularly in the North East Coast Area, Conception Bay, Trinity Bay. The Government has commissioned a study of the future of seasonal inshore plants in relation to deep sea trawlers and the alternative methods of

operating such trawlers and disposing of their catch. I believe that study is supposed to be finished around the middle of the year, June or July.

AN HONOURABLE MEMBER: June.

MR. CROSBIE: June.

Mr. Speaker, Petroleum Resources: Significant potential exists for industrial development in this Province from both the exploration for and production of and the refining sector of the petroleum industry.

The 100,000 barrel a day refinery at Come-by-Chance went into production in February of this year at a total estimated cost to completion of \$206,150,000. The Government's involvement is now limited to a direct second mortgage loan of \$30 million as a result of share purchases in October of 1973 which eliminated the Crown Corporation status of Provincial Building Company Limited, Provincial Holding Company Limited and Provincial Refining Company Limited.

In addition to the 100,000 barrel a day refinery, on March 20, 1974, the Shaheen Group announced the signing of a contract for the design, engineering and construction of a 300,000 barrel a day refinery, also at Come-by-Chance. This refinery will cost in excess of \$300 million and is expected to be running at capacity 36 months after construction starts. Government will also participate in this venture by means of a guaranteed secured loan of \$78.5 million to be made available over the thirty-six month construction period.

The offshore petroleum exploration activities off the shores of this Province have provided significant developments during the past year. Nineteen exploratory wells were drilled offshore by four different consortia using five different rigs. The Mobil-Gulf Adolphys 2K-41 well, approximately 200 miles south east of St. John's, recovered good quality low sulphur crude but was abandoned as non-commercial by the operator. Indications of hydro-carbons were also encountered in the Bjarin H-81 well drilled by the Eastcan Group in the Labrador Sea. This well intersected a considerable thickness of possible hydro-carbon bearing sediments. They will be back at it again later this year.

Mr. Speaker, in June, 1973 the Government of Canada published the first comprehensive inventory of all of Canada's petroleum resources which placed the ultimate potential of the offshore areas of this Province, our offshore areas, at over 28.1 billion barrels of oil and 180.7 trillion cubic feet of gas, representing over 25 per cent of Canada's total potential. It is on our offshore area. No wonder we are not ready to give it away, Mr. Speaker. By way of comparison, Alberta, Saskatchewan and Manitoba together, and including all oil and gas already produced there, accounted for only 13.5 per cent of Canada's potential and offshore Nova Scotia only five per cent.

Rising world petroleum prices have brought a much larger portion of our offshore potential "within economic reach" and that placed increasing pressure on both the Government of Canada and this Government to arrive at a negotiated settlement or to proceed to court to resolve the dispute as to the ownership of and jurisdiction over offshore minerals.

Development Incentives.

The Government's performance in the major sectors of hydro, mining, forestry, fishing and petroleum has laid the basis for advancing into an industrial strategy which will bring to Newfoundland an expanding economy in the decades ahead. The development of the primary sectors of our economy will be combined with activities in the Department of Industrial Development, the Newfoundland and Labrador Development Corporation, the Department of Rural Development and the Rural Development Authority.

The Provincial Government in these estimates is providing \$800,000 for our share of the funding required by the Newfoundland and Labrador Development Corporation. A key element of the activity of that Corporation has been the provision of equity financing and this activity will continue to play an important part in our industrial strategy. To date the Corporation has approved financing for forty-seven projects involving \$5,505,000 in loans and \$584,000 in equity distributed as follows:

Fishing Industry	\$1,035,000
Forest Industry	1,190,000
Mining Industry	900,000

Manufacturing Industry	\$1,239,000
Service Industry	488,000
Tourism	813,000
Agriculture	424,000
Total	<u>\$6,089,000</u>

These new businesses will provide approximately 800 full-time jobs and 200 part-time and seasonal jobs.

The Rural Development Authority Loans Program under the minister, Mr. Jim Reid, has been extremely successful. Small business operators in all areas of the Province have had the opportunity to establish or expand their businesses and for many of them this was impossible before, or virtually impossible because of the lack of available credit. We have, in effect, bridged the gap between the operators of small rural businesses and the finances necessary to carry out their operations successfully. Since the Program was initiated in November of 1972, we have assisted 763 businesses in the rural areas and approved \$5,293,035 in loans. In this year's estimates we provide a further \$2.5 million so that the owners of small businesses or those who wish to try to establish them in our rural areas have an opportunity to receive some credit.

The Estimates for the Department of Industrial Development illustrate two further significant factors in our development process in the two years that we have been in office. The first relates to the fishing industry where the Department will spend \$535,000 as part of an agreement with National Sea Products Limited and the Department of Regional Economic Expansion for the construction of a new fish plant at Burgeo which is estimated to cost approximately \$6,300,000. We are ready to do our part.

The second factor is that for the first time since the operation was established no provision has been made in the Estimates of the Department of Industrial Development for Marystown Shipyard operating losses because there will not be an losses, Sir.

The financial position of that company continues to improve and it is estimated that they will have a profit in 1974. In the past year plans for a \$1.6 million expansion to the yard were finalized, since it is now operating at full capacity.

Mr. Speaker, now I would like to turn to Capital Account Programmes. In addition to the development programmes of government there are expenditures on capital account in many other areas. Our total capital account this year is \$197,867,900. The figure almost leaves one speechless, Mr. Speaker, but I must continue on to finish my speech.

The following table outlines the major areas of expenditure:

Highway Construction	\$47,000,000
Construction and Equipping of Schools	25,388,000
(Not \$8,000,000, Mr. Speaker. Not \$10,000,000, Not even \$12,000)	
Hospital Construction	20,526,000
Health Sciences Complex	12,000,000
Memorial University	9,186,000
Housing	6,460,000
Industrial and Residential Servicing	10,044,000
Cultural Affairs	1,600,000
Community Sports Facilities	1,875,000
Gros Morne National Park	5,386,000
Labrador Linerboard	17,000,000
Rural Electricity Authority	2,183,900
Fishery Capital Works	9,575,000
Forest Access Roads	4,000,000
Rural Development Loans	2,500,000
Other Items	<u>22,438,900</u>
Total	<u>\$197,867,900</u>

These expenditures will be offset by related revenue, mainly from the Government of Canada, of \$57,113,000 so that the net capital account requirements are \$140,754,900. This is a massive programme



Mr. Speaker, aimed at social, economic and resource development.

In Highways the programme of \$47,000,000 includes projects undertaken with the help of DREE. This part of the programme totals \$23,977,000 and includes such projects as the St. John's and Corner Brook Arterial Highways, the Burgeo Road, always popular with the member for Burgeo, the St. Lawrence to Lawn Road and the Bishop Falls to Bay D'Espoir highway. The portion of the programme financed totally by the Province includes \$23,000,000 for improvement and reconstruction of roads, new construction of roads and the replacement of old bridges, guardrails and machinery. Now, Mr. Speaker, if I could announce it was \$23 billion, I think that we would cover it but it is \$23 million. The billions are yet to come.

In HOSPITAL CONSTRUCTION: We are continuing our huge hospital construction programme this year and I anticipate expenditures of \$32,526,000 broken down as follows:

Health Sciences	\$12,000,000
(that is the medical school university hospital)	
Western Memorial Hospital Extension	5,530,000
Carbonear Hospital	4,500,000
Notre Dame Bay Memorial Hospital	4,200,000
Waterford Hospital	3,100,000
(It used to be known as the Hospital for Mental and Nervous Diseases)	
Cottage Hospitals	586,000
(I must say, including Bonavista)	
International Grenfell Association	438,000
Grand Falls Hospital	450,000
Clarenville Hospital	500,000
St. Clare's Mercy Hospital	250,000
Burin Peninsula Hospital	200,000
Other	772,000

This construction programme is a continuation of the Progressive Conservative priority of providing modern and efficient health facilities throughout this Province. It should be noted, Mr. Speaker, that in the expenditure figures there is provision for plans for new facilities at Clarendville, that is for the architects to go ahead, on the Burin Peninsula and at Bonavista.

It is encouraging to note, Mr. Speaker, that the University Hospital and Medical School Complex is scheduled for completion in the Spring of 1976. Government continues to receive assurances that as foreseen now the project cost will be within the total budget of \$45.3 million.

I come, Mr. Speaker, to School Construction: A very substantial amount of \$25,388,000 is expected to be spent this year on the construction of schools. Of this total \$13,388,000 will be spent in accordance with the Province's agreement with DREE for the completion of schools already agreed upon. Mr. Speaker, DREE, the Department of Regional Economic Expansion, has indicated that the financing of schools under its programme will in the future have to relate directly to development opportunities in the Province.

Over the last several years a number of DREE schools have been constructed and financed, as we all know, partly through a grant from the Government of Canada through DREE and partly by way of a DREE loan to the Province. These loans must be repaid by the Province over a twenty year period once the schools are completed. The DREE schools, Mr. Speaker, are not totally federal schools. We are paying for a substantial part of it by repaying these loans. The various Denominational Authorities are to repay to the Province a portion of the loans provided to them of the DREE loan.

Of the seventeen DREE schools constructed or to be constructed, nine are for the use of the Roman Catholic Denomination and eight are for the use of the Integrated Denominations. Under the Terms of Union with Canada, Mr. Speaker and because of our denominational system of education, all funds paid by the Province to schools must be allocated on the basis of the ratio of the share of the population of the Province represented by each recognized denomination. In the DREE school construction

programme, this ratio has not been strictly adhered to. The grants made by the Government of Canada for these DREE schools are not considered funds paid by the Province to the school authorities. However, the part of the funds provided by the Province to the Denominational Authorities must be allocated on the basis of the ratio of the share of the population represented by each denomination.

It is now clear that the funding provided by the Province to the Roman Catholic Denomination for DREE schools will, when all the schools are completed, be in excess of the entitlement of that denomination on a population basis. This means that funds are owing to the Integrated Denominations. The Province had earlier agreed to make comparable funds available to the Pentecostal Denomination and to Seventh Day Adventists since they were not participating in the DREE school programme.

The problem of the over-allocation of school funds under the DREE programme has been under review by the Government in recent months and a proposal has been made to the Denominational Authorities which will provide for the observance of our constitutional requirements. As a result the government is providing in the Estimates for the present year an amount of \$2 million to be paid to the Integrated Denominational Authorities over and above amounts which would otherwise have been provided for school construction purposes.

This is a complicated subject, Mr. Speaker, but I am trying to give the nub of it.

The Province has already paid funds to the Pentecostal and Seventh Day Adventist Denominations who have not received DREE funds and our current calculations show that these groups have received a very high percentage of their eventual entitlement. Any further payment to those groups will have to await final calculations when the DREE Programme is concluded.

Mr. Speaker, in last year's Budget I promised a review of our capital grant system for school construction to the Denominations. Government considered a number of alternative arrangements for such

financing and in November of 1973 announced an allocation of \$120 million over the next ten years. There has been some criticism, Mr. Speaker, that the amount is not enough to meet the needs of school boards in years to come but I must point out that Government considers the commitment given to be a most fair and reasonable one, in fact even a generous one.

The following, Table 10, indicates the amount to be paid to the Denominations for school construction purposes in the next ten years.

They had a commitment, Mr. Speaker, five years ago that they would get \$8,000,000 a year for ten years which would bring them to 1978-1979. We have revised that so that this year they would receive a grant of \$10,000,000; 1975-1976, \$10,000,000; 1976-1977, \$11,000,000; 1977-1978, \$11,000,000; 1978-1979, \$12,000,000; 1979-1980, \$12,000,000; 1980-1981, \$13,000,000; 1982-1983, \$14,000,000 and 1983-1984, \$14,000,000, for a total over this year and the next nine of \$120,000,000.

In addition, an Advisory Committee on School Financing has been set up by Government to advise the Denominational Authorities on the most efficient method of utilizing the funds made available by Government or to consult with them on other ways of utilizing these funds.

Memorial University: Mr. Speaker, in this year's Estimates on capital account \$9,186,000 is provided for capital construction and that comprises of: Engineering Building, \$4,600,000; Site Development - North Campus, \$2,600,000; Shared Facilities - Life Sciences, \$734,000; Library and Physical Education Planning, Architects' plans, \$600,000; Regional College - Corner Brook, \$500,000 and Other Items, \$152,000.

The planning for the Physical Education Complex is an important item because of its connection with the Canada Summer Games to be held in the Province in 1977. Included in the cost of completing the Physical Education Complex will be \$2 million for a swimming pool representing a substantial portion of the \$3 million which the Province has promised the City of St. John's towards the Games.

Housing: Mr. Speaker, there is \$7,431,000 provided on current and capital account for the Newfoundland and Labrador Housing Corporation. This is for the initial phase of a four-year housing programme which, including Government of Canada sources, will result in over \$35,000,000 being spent this year. As a result of our money being spent, \$35,000,000 more will come from the Government of Canada for the following programs:

(1) A program of land banking sufficient for future development will be carried out during a four year period beginning immediately subject to Federal financing of ninety per cent. The Provincial cost this year and for each of the next four years is \$360,000 per annum.

(2) There will be a very substantial programme to develop serviced residential land sufficient for an average of 3,000 housing units per year, if needed, for the next four years. The cost to the Province will be \$1,300,000 each year.

(3) A crash programme to build or acquire an additional 1,500 subsidized housing units as soon as possible and in any event within a four year period. The Provincial share of the capital costs (spread over this four year period) is \$2,000,000 per year. The net annual subsidy will amount to \$420,000 a year.

(4) A completely new and very significant one year experimental program, providing capital and annual mortgage subsidy payments for the construction of 700 homeowner housing units is going to be undertaken in small communities and rural areas. (For the full details, of course, the Minister of Municipal Affairs and Housing, our colleague, the Hon. Val Earle, should be contacted, or the corporation) Capital funding will be through a recently signed Federal Provincial Agreement which provides for a shared 75/25 per cent cost basis and the Provincial share is estimated at \$2,000,000. The cost of the annual subsidies, up to \$400 per family, will also be shared with the Government of Canada on the same basis. This is a program for small communities in rural areas.

(5) In order to supplement the Federal Assisted Home Ownership programme, which is expected to be most effective in urban areas, the Province will provide matching annual mortgage subsidy payments up to \$300 per family. Depending on the extent of Federal lending activity, the cost to the Province for this programme should amount to \$300,000 for the first year, increasing annually to a maximum of \$1,500,000 in the fifth year.

Mr. Speaker, we are satisfied that this expanded programme of housing problems will really be tackled in the province this year, due to the efforts of our colleague and the members of his department.



In conjunction with the Housing Program, Mr. Speaker, Government will be undertaking a large program with DREE in the area of industrial and residential servicing. The estimated amount to be spent in 1974-1975 is about \$10,044,000 and includes expenditures on (I) Phase II of the Donovan's Industrial Park, (II) the Burin Water Supply, (III) the Happy Valley water supply and (IV) the Gander water supply and storage reservoir.

As well, Mr. Speaker, it has to be remembered that municipalities are assisted in the construction of residential servicing through the Newfoundland Municipal Finance Corporation. This Corporation was established to give financial assistance through long term loans to towns and municipalities in the Province. As at December 31, 1973, the Corporation had advanced \$35,000,000 in long term loans to sixty-two municipalities in amounts ranging from \$20,000 to \$20,000,000. In addition, the Corporation is presently arranging to borrow \$30,000,000 to help finance present commitments of municipalities.

The Government assists municipalities in repaying the loans to the Corporation and in this year's estimates, an amount of \$7,000,000 is included for that purpose alone. This represents an increase of \$3,600,000 over last year's amount.

Another important programme which we are undertaking with DREE is the development of the Gros Morne National Park. An amount of \$5,386,000 is included in the estimates for that purpose, Mr. Speaker.

Throughout this section on capital account expenditure the importance of the Government of Canada's participation, particularly that of DREE becomes very clear. On February 1, the Government of Newfoundland signed a ten-year General Development Agreement with the Government of Canada. This Agreement assures joint federal-provincial co-operation in the identification and realization of the many opportunities for development which exist in our Province.

It is a source of satisfaction to the Government that this is the first truly "intergovernmental agreement" for development ever signed between the Province and the Government of Canada, in contrast with previous agreements where the Government entered into arrangements with individual Federal departments. I take pride, Mr. Speaker, in noting also that this Agreement is not limited to special areas or to any geographic region of this Province but commits the Government of Canada to assist in the realization and fulfillment of development opportunities in any location within this Province including Labrador. The special areas are gone. If there be a development opportunity, that is what the agreement aims to assist in developing.

The Government of Newfoundland, through careful planning and a dedicated effort, is in a unique position among Provincial Governments to take advantage of an agreement of this type. In fact we have led all other Provincial Governments in our readiness to proceed.

However, Mr. Speaker, I wish to make it quite clear that we are concerned over the pace of our negotiations with Ottawa to execute Subsidiary Agreements. Our progress has been hampered by the absence of pro forma subsidiary agreements and by the absence of project criteria and submission guidelines provided by the Government of Canada. These impediments to progress have been reported to DREE on many occasions but in our opinion have not received an adequate response. I can assure honourable members that full and complete information on these vital programs have been given to the Federal authorities for some months, with no delay whatsoever on the part of this Province.

The Government of Newfoundland has also been hampered by the lack of clarity on the part of Federal authorities as to the amount of financial assistance which is to be made available to the Province for development in the years ahead. It is difficult to engage in responsible, realistic planning without the prior establishment of financial guidelines.

This point has been emphasized by us repeatedly during these negotiations but despite this our request for clarification of the financial commitments of the Government of Canada to this Province for the years ahead have not evoked a satisfactory response.

We have been led to believe that the signing of Subsidiary Agreements is imminent relating to development opportunities based on the forest resources, the Gros Morne National Park, the Labrador Linerboard Complex at Stephenville and to provide employment-creating infrastructure, including highways. Since we have not received definite commitments as yet from the Government of Canada on these proposed Subsidiary Agreements we have no way of knowing with certainty what contribution we will receive from the Government of Canada.

Before leaving the Government's general capital account, Mr. Speaker, there are a few items of expenditure which I would like to elaborate on. The first is an amount of \$1,875,000 for community sports facilities. This is approximately \$1,000,000 in excess of last year. It is the Government's belief that sports and recreation for Newfoundland's population is an important aspect of our quality of life. It is Government's (This is a "Doyle Bulletin") belief and a significant increase is therefore proposed for grants to communities to initiate such sports facility projects as stadia and playing fields. Note, Mr. Speaker, that the provision for these facilities are separate entirely from the Government's contribution to the City of St. John's for the 1977 Canada Summer Games.

The remaining items on capital account relate to smaller capital projects which sometimes become obscured, Mr. Speaker, by the larger capital works. Table II summarizes them:

Vocational School Alterations will total \$1,000,000; the start of the Residence or the planning of the Residence for the College of Trade and Technology is \$200,000. Plans, I believe it is plans, if it be not plans it is the Hickman Wing of Her Majesty's Penitentiary, \$169,000; for planning for a new Constabulary Building \$153,000; money for a new Fire Station on Kenmount Road, which I am told, Mr. Speaker,

I promised in 1966, a new Fire Station on Kenmount Road is \$389,000; Alterations for the Homes for the Aged \$280,000; a new Retarded Children's School, here in St. John's, \$550,000; a Retarded Children's Home in Stephenville \$495,000; the amount to be spent on Labrador Services, that is for the coastal part of Labrador, in Capital Account \$2,404,500; Provincial Parks \$445,300; the Collins Centre for the performing arts in Gander, better known perhaps as The Gander Arts and Culture Centre Phase II, \$700,000, the Stagg Centre for the performing arts in Stephenville, better known as the Stephenville Arts Centre, \$800,000; the C. A. Pippy Park \$374,000; Urban Renewal \$1,054,000. So see these are some, Mr. Speaker, of the smaller items on Capital Account but which are not unimportant just because they are not so large.

The Summary on Capital Account, Mr. Speaker, is that we will be spending \$197,867,900 offset by \$57,113,000 in related revenue, and tabled twelve outlines how it compares with the Revised Estimates for last year. The gross this year is \$197,867,900, the gross expenditure last year was \$186,835,900, so it is an increase of \$11,032,000.

Now I must turn to our Revenue Capacity: After outlining the expenditure programmes on current and capital accounts it is important to review the revenue capacity of our Province which has to support these programmes. In this connection I must note a growing financial imbalance between the Government of Canada and the Provincial Governments. Virtually all of the Provinces are finding it increasingly difficult to fulfill their responsibilities. The revenues of the Government of Canada are growing at a significantly higher rate than those of the Provinces and while the Provinces are having to increase taxes and curtail expenditures in many vital areas, the Government of Canada can reduce taxation while at the same time increasing expenditures and introducing new programmes.

Newfoundland, Mr. Speaker, agrees with the concept of a strong Central Government in Canada, one which can effectively deal with national problems such as unemployment, inflation and the overcoming of regional

disparity. However, if Canada is to remain a strong nation, it is necessary to have strong and viable Provincial Governments. It is therefore essential for each level of Government to have sufficient revenue sources of its own to adequately carry out its responsibilities under the Constitution.

This year our own sources of revenue will amount to \$250,653,000 or 55.5 per cent of the total estimated revenue of \$451,861,000. Our major source of revenue is the retail sales tax (\$85,500,000), followed by personal income tax, (\$57,000,000), the gasoline tax (\$31,000,000), and the profits of the Newfoundland Liquor Corporation (\$26,000,000).

Newfoundland, however, still remains highly dependent upon contributions from the Government of Canada for continued growth in our expenditure programmes. The largest single source of revenue to this Province comes from the Government of Canada by way of tax equalization payments. In 1974-1975 tax equalization revenues are estimated to be \$185,000,000 including an estimate of \$9 million because of the recent announcement of the equalizing of a portion of the new Western Canada oil and gas revenues. The equalizing of oil revenues is a basic principle advanced by the Newfoundland Government at the two recent First Ministers' Conferences on Energy. While it is a significant concession by the Government of Canada to change its original position to include part of these oil revenues, it is still not satisfactory as far as Newfoundland is concerned. Oil revenues accruing to the producing provinces should be equalized on the basis of the existing Fiscal Arrangements Act and therefore all such revenue should be included in the present equalization revenue. We recognize that a phasing in of oil revenue equalization may be necessary due to the present size of these revenues but we will continue to argue strenuously for the maintenance of the full tax equalization principle.

Another area where it is hoped that the Government of Canada will become more responsive to our needs is with respect to their decision to index the personal income tax. The Government of Canada announced in its February 1973 budget that it had decided to index the personal income tax. This system of indexation commenced on January 1, this year, and the method



employed to do this has resulted in provincial revenues being decreased as well as federal revenues. This action was taken without any consultation with the provinces whatsoever. Our revenues are adversely affected because our provincial income tax is collected by the Government of Canada as it is for all provinces, except Quebec, and is defined as a percentage of the federal income tax.

When the Government of Canada announced it was indexing personal income taxes, we assumed, as did the other provinces, that any resulting provincial losses would be compensated for. At the January Finance Ministers' meeting in Ottawa, we requested that the Government of Canada compensate the provinces for the revenue losses caused by indexing. This request, Mr. Speaker, was reviewed and I was told that if the provinces wanted to regain their lost revenues we should increase our taxes. This Province, along with other provinces, is continuing to press for compensation, especially in light of the large revenue losses that we will face in the years ahead. We can only hope that the Government of Canada becomes more responsive to our claim for fair treatment in this respect.

We have no objection, Mr. Speaker, to the Government of Canada changing its own taxes but we object to them arbitrarily changing ours without compensating us. Our revenues will, therefore, be decreased this way in two respects:

(1) Our personal income tax receipts in 1974-1975 will be decreased by an estimated \$2.8 million; and



(2) Our equalization payments will be decreased by \$2.2 million as a result of this arbitrary move or a loss of \$5 million.

That loss will increase each year until by 1977 we estimate that that move will cost us \$30 million in revenue in 1977. This is obviously a very serious loss for this Province.

Table 13, Mr. Speaker, shows the main revenue sources for 1974-1975 as compared to last year. I will not read it all, it is in the Budget Speech for anyone who wishes to read it.

That shows that our Revenue Sources from the Federal Government will be up this year : \$28 million and the Provincial Revenue Sources will be up \$36 million or the total revenue, \$64 million. So that our total revenue this year will be \$451.9 million.

It is evident, Mr. Speaker, that the taxation sources of the Province are limited and that given the expenditures I outlined earlier, it is impossible for the Government's expenditure programmes to be met within the existing revenue sources.

In this Budget Speech I have outlined the direction the Government seeks to follow in order to fulfill the ambitions of all of the people of this Province and I have outlined the services that the people of the Province and this Government wish to continue and expand. I believe, Mr. Speaker, it is obvious to every concerned citizen that to fulfill our destiny, that to properly develop our resources and that to continue to improve our present level of services requires that we find the means to do so.

There is a limit to the amount of borrowing that any province can undertake. If this Province is to maintain the confidence of the financial community they must be convinced not only that we have a prosperous future but that responsible financial guidelines will govern our development.

This Administration has had to reach a hard and difficult decision. Hit hard by spiralling inflation that we have no means to control, faced with the necessity to develop the resources of this Province so that its

potential can be achieved, concerned by the uncertainty of the level of Federal revenue to be received by us, absolutely determined that there should be no reduction or elimination of vital expenditures to continue and expand public services, we have had to reach the conclusion that taxes must be increased to maintain these objectives.

The Retail Sales Tax and the Personal Income Tax in this Province will therefore be changed in the following manner:

(1) A one percentage point increase in the Retail Sales Tax so that the tax will become eight per cent effective at midnight tonight. This increase is expected to generate additional revenue of \$10 million to the Province in this financial year. There were about six previous increases from honourable gentlemen opposite, Mr. Speaker.

(2) A four point increase in the Provincial Personal Income Tax rate from the existing thirty-six per cent of basic federal tax to forty per cent, effective July 1, 1974. This tax increase is expected to generate additional revenue of \$4 million for the Province in 1974-1975.

Mr. Speaker, the effects of the Retail Sales Tax increase have been partly lessened by the fact that this Administration exempted children's shoes and clothing from the Retail Sales Tax in 1972 and, as at January 1, 1974, we eliminated the domestic fuel and heating oil from the Retail Sales Tax. Food and many other items are also exempt from this tax. The exemption of domestic fuel and heating oil will result in a reduction of taxation of \$3 million in this fiscal year. New Brunswick, Prince Edward Island and Quebec have previously had to impose an eight per cent Retail Sales Tax rate.

The increase in the Personal Income Tax rate in Newfoundland will leave this Province with a Personal Income Tax rate of forty per cent of the basic federal tax as compared to 42.5 per cent in Manitoba, 41.5 per cent in New Brunswick, 40.0 per cent in Saskatchewan and 38.5 per cent in Nova Scotia. The effect of this Personal Income Tax increase for a full year is outlined in the following table which

illustrates that these increases are not great in extent for low and medium-income wage earners.

Table 14, Mr. Speaker, gives the estimated effects of the income tax increase on personal income tax for a full year. It should be noted that for this year the increase is only half of that because it comes into effect on July 1.

TABLE 14

SELECTED EFFECTS OF INCOME TAX INCREASE  
ON PERSONAL INCOME TAX PAYABLE

Annual Income	\$4000	\$6000	\$10,000	\$20,000	\$25,000
	Estimated Tax Increase				
	\$	\$	\$	\$	\$
Single Person - no dependents	14	30	66	188	258
Married Person - Wife dependent	3	18	52	167	237
Married-Dependent Wife-2 children -		13	46	158	228
Married-Dependent Wife-4 children -		8	40	149	219

So that this increase, Mr. Speaker, will have greater effect on those with greater income and relatively little effect on those with low or medium income.

The expenditure programs I have outlined and the taxation decision announced still result in our borrowing requirements for purposes of the Budget for 1974-1975 totalling \$168,452,600. Even with these tax increases, Mr. Speaker, this Province must borrow this year \$168 million. That is shown in Table 15 of the Budget Speech and how it is arrived at.

The total Budgetary Requirements, without going through all the figures, are \$133,267,500. We have to borrow \$20,825,800 for Debt Redemption and \$14,359,300 for Sinking Funds. The total Debt Retirement is \$35,185,100 and our total Borrowing Requirements are \$168,452,600.

Mr. Speaker, the borrowing requirements for this year of \$168,452,600 will be obtained in the following way:

Source

General Market Borrowing	\$130,000,000
Canada Pension Plan	24,000,000
Government of Canada Loans	12,000,000
Other Loans	2,452,600
Total	<u>\$168,452,600</u>

As \$35,185,100 of these borrowing requirements are for debt retirement and sinking fund payments the net increase in Provincial

debt this year will be \$133,267,500.

Mr. Speaker, I have outlined in this Budget Speech the problems and opportunities that face this Province. I have outlined our development plans, the need for services and the need for financial responsibility. The Members of this Progressive Conservative Administration are convinced that this Province faces a choice. The choice this Province faces is whether to be satisfied to continue as a dependency of the Government of Canada or whether this Province wishes to strike out in a constructive way to seize the destiny of self-sufficiency that lies before us. That is the choice.

Mr. Speaker, we have a grand imperial concept for this Province. Our concept is to bring the hydro resources of Labrador to full use within Labrador and on the Island of Newfoundland so that we will create conditions that sustain and nurture industrial and commercial development as well as our society itself. Our concept is to assert our rights to the revenues and control of the oil and gas and minerals that lie off our shores. Our concept is also to prepare and present our case to Ottawa for every kind of assistance that can be provided to us by way of the Department of Regional Economic Expansion, by way of federal financing of the transmission line needed from Gull Island to Newfoundland and by way of transportation and other assistance needed by us.

Our approach, Mr. Speaker, to the Government of Canada is not with cap in hand and is not based on any appeal for sympathy. Our approach to the Government of Canada is based on preparation, on having fulfilled the necessary planning, on presenting a sound, rational and economic basis for the assistance we request. It is based on the fact that the Government of Canada has proclaimed and is proud of their policy to overcome regional disparity. Mr. Speaker, they can overcome, or help Newfoundland overcome her regional disparity if they assist us in our attempts to lift ourselves up by our own bootstraps in developing the hydro resources of our Province for use within our Province, or if they assist us in achieving our aim of developing, for the good of this Province as well as a national good, the oil and gas and mineral wealth that lies off our shores, or if they assist us in developing our forest resources or assist us in revitalizing our fishery.

If we are to achieve these ends, Mr. Speaker, if we are to continue to improve the level of Government services in this Province in education, in health, roads and the other social services, then we and the people of this Province must be prepared to play our part.

We cannot achieve our aims without the willingness of the Newfoundland people, without the assistance of the Government of Canada, without the assistance of the financial community nor without a Government that is clear-sighted enough and courageous enough to attempt to do what the timid may feel to be impossible. We know where the timid are, we heard them squeaking a few minutes ago.

We have much to do, Mr. Speaker. We have much to gain if we work together to meet these challenges. Unless our aim in politics is to achieve the potential we know exists rather, than to achieve mere political office, then the game is not worth the candle.

For my part and for the part of all Members of the Moores Administration we choose to develop the Island of Newfoundland and Labrador so that in years to come the present Members of this Government can look back and say - we dared, we tried, and we succeeded.

MR. CROSBIE: Mr. Speaker, I have first to move that the House resolve itself into Committee of Ways and Means and that Mr. Speaker do leave the Chair. In addition to that I move the debate on that matter now be adjourned until tomorrow.

MR. SPEAKER: It has been noted that the honourable minister has adjourned the debate.

MR. CROSBIE: Mr. Speaker, I have a message from His Honour the Lieutenant-Governor.

MR. SPEAKER: "The Honourable the Minister of Finance:

I, the Lieutenant-Governor of the Province of Newfoundland, transmit Estimates required for the Public Service of the Province for the year ending March 31st., 1975, in the aggregate of Six Hundred And Forty-Six Million, Nine Thousand, Four Hundred Dollars (\$646,009,400) and, in accordance with the provisions of the British North America Act of 1867, as amended, I recommend these Estimates to the House of Assembly.

(sgd.) E. John A. Harnum,  
Lieutenant-Governor."

MR. CROSBIE: Mr. Speaker, I move that the message from the Lieutenant-Governor together with the Estimates be referred to the Committee of Supply and that Your Honour do now leave the Chair.

On motion that the House go into Committee of the Whole on Supply, Mr. Speaker left the Chair.

COMMITTEE OF SUPPLY:

On motion that the Committee rise, report progress, and ask leave to sit again, Mr. Speaker returned to the Chair.

On motion report received and adopted.

On motion committee ordered to sit again on tomorrow.

MR. CROSBIE: Mr. Speaker, I give notice that I will on tomorrow ask leave to introduce the following resolutions:

To Move The House Into A Committee Of The Whole To Consider Certain Resolutions Respecting The Amendment Of The Income Tax Act, Chapter 163 Of The Revised Statutes Of Newfoundland, 1970.



To Move The House Into Committee Of The Whole To Consider Certain Resolutions Respecting The Amendment Of The Income Tax Act, Chapter 163 Of The Revised Statutes Of Newfoundland, 1970.

To Move the House Into Committee Of the Whole To Consider Certain Resolutions Respecting The Amendment Of The Retail Sales Act, 1972."

MR. MARSHALL: Mr. Speaker, before moving the adjournment of the House, I have been asked to point out to the guests here of the House of Assembly, the people here in the galleries, that there will be a reception immediately afterwards in the College of Trades and Technology and everybody, of course, is cordially invited to attend.

Now, Mr. Speaker, I move that the remaining Orders of the Day do stand deferred and the House at its rising do adjourn until tomorrow Thursday, April 18, 1974 at 3:00 P.M.

MR. SPEAKER: This House stands adjourned until tomorrow Thursday, April 18, 1974 at 3:00 P.M.