



Legislative Assembly Of Manitoba

DEBATES and PROCEEDINGS

Speaker

The Honourable A. W. Harrison



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THE LEGISLATIVE ASSEMBLY OF MANITOBA

10:30 o'clock, Wednesday, October 18th, 1961

Opening Prayer by Mr. Speaker

MR. SPEAKER: Presenting Petitions
Reading and Receiving Petitions
Presenting Reports by Standing and Special Committees
Notice of Motion
Introduction of Bills
Orders of the Day

Adjourned debate for second reading of the proposed

MR. MORRIS A. GRAY (Inkster): Mr. Speaker, may I direct one or two questions to the Honourable Minister of Health--if I'm in order. Number one is, how many persons are in default in payment of the hospitalization tax of 1961 to date? Second question is: What were the deficits of each hospital or of all the hospitals in Manitoba during the year 1960? Number three: What was the total social aid cases, aid case load, for the latest year where the figures are available? Then I have another question directed to the Honourable Minister of Indian Affairs. I read in the Hansard that scholarships were granted to the Indians in almost every province except in Manitoba. I understand there are some Indians here. Is it possible that no one was entitled to a scholarship? If the answer could not be given now I could refer this to anyone that I'm assigned to, and they could have the Hansard before him and bring in an answer at any time.

HON. DUFF ROBLIN (Premier)(Wolseley): Mr. Speaker, I'm not clear what my honourable friend is talking about when he's talking to the Minister of Indian Affairs. I'm happy to acknowledge that my colleague the Minister of Health and Public Welfare has achieved some quite interesting successes in improving the conditions of Indians in Manitoba but he has not any responsibility, I believe, for the kind of scholarship that my honourable friend speaks of. I think probably that inquiry should be addressed to the federal administration, unless the Minister of Education here has got something further.

HON. GEO. JOHNSON (Minister of Health & Public Welfare)(Gimli): May I take these three questions as an Order for Return?

MR. SPEAKER: Orders of the Day. Adjourned debate on second reading of Bill No. 2. The Honourable Member for Ethelbert.

MR. M. N. HRYHORCZUK (Ethelbert Plains): Mr. Speaker, I do not intend to touch on some very pertinent matters such as the Rowell Siros Report, the equalization principle or any of the other pertinent matters in regard to the report of that particular Commission. What I hope to do is to restrict myself entirely to the Bill and its implications as I see them. The substance, or the alleged substance of this Bill, has been built up over the months through every media of dissemination of news that we have in the Province of Manitoba. The papers have been full of it; we've had reports of it on TV; and all the radio stations in the Province of Manitoba carried the fact that sooner or later we'd be called into a special session for the purpose of considering some legislation which would in effect replace or reduce the hospital premiums. Throughout all of this publicity there were two things that were pointed out. Firstly, that the premiums would be reduced; and secondly, that the principle of ability to pay would be brought into play.

Now after the First Minister had his say on this bill, the newspapers came out quite flatly stating that this was a hospital levy. It was a 1% income tax for the purpose of reducing the premiums which the government considered were too big and too heavy. And even the Speech from the Throne, Mr. Speaker, states: "And to provide the means to give effect to a reduction in the hospital premium rates". To me, Mr. Speaker, when you have a redundancy of the same argument over and over again, it begins to look as if that is not the reason for us being here today nor is it the reason for the contents of this bill. I do not agree, and I'm satisfied that this bill has not been introduced for either to reduce the premiums or to invoke the principle of ability to pay. I have to base my argument on assumptions in some instances which, of course, is unavoidable, and on facts known to all of us in others. This government knew a long time ago that in order to carry out the solemn pledges made to the people of this province

(Mr. Hryhorczuk, cont'd.) . . . that there would be no increase in taxes that they would have to find a fairly good excuse to increase those taxes. And I say, Mr. Speaker, that this bill is one of the pieces of a jigsaw puzzle and that the parts are beginning to fall in place and to form the correct picture. The government has always boasted of being long-term planners. They're always looking far into the future. And I say to you, Mr. Speaker, that they were looking into the future in regard to this particular matter way back in the early 1960's.

Now I am going to make a statement which is based entirely on assumption, but I'm quite sure, Mr. Speaker, that that assumption will prove itself a fact within not very much more than 12 months. I say to you, Mr. Speaker, that when the premiums were raised in 1960 they were not raised because the plan was not carrying itself, but the primary purpose of the raise of those premiums was to establish a reason and an excuse for the legislation now before us. --(Interjection)--I expected that. I expected that. We have had the government admit that there was going to be no deficit in 1960. Even on the basis of the old premiums, they told us that they expected probably a small deficit in 1961 but they did anticipate a heavy deficit which warranted the increase in premiums in 1962 and on. That's an admission of the government itself and it's in the records of this House. Then there was actually no legitimate reason for increasing those premiums at that particular time.

Now, Mr. Speaker, the First Minister and the Cabinet knew very well that the public was going to be shocked by that increase and likely so. They knew it and they took a gamble. It was a gamble that they had to take. They had no choice unless they were prepared to break the pledges that they made to the people of this province. They have admitted during this session that the increase was unwarranted and unjustified by telling us that they are going to refund to the premium payers the sum of \$2 million. I say to you that this government is not so good at heart that it would part with \$2 million so easily. We all know--it's common knowledge this government needs every penny it can raise--but out of the good of their hearts they're ready to give premium payers \$2 million. I say that it was an overcharge and nobody knows whether that \$2 million was the only overcharge in the increase in those premiums. It wouldn't surprise me at all if that amount is only a part of the overcharge. But why the refund? I think we have the answer to that in the speech made by the First Minister the other day. I say, Mr. Speaker, that that move is plainly political appeasement. In effect, what the Premier has said is this: We are sorry for having overcharged you. We're going to make up for this by firstly giving you back \$2 million; and secondly, base future premiums on ability to pay. Now just let's take a look at what the First Minister had to say in his speech. Quoting from Page 22 of Hansard, that is Volume VI, No. 1, here is what we find: "We raised it"--and he's referring to the premiums--"with the greatest of regret, but we determined that at the first possible opportunity we were going to reduce these premiums and to invoke the principle of ability to pay at the first possible opportunity". Then again--"but that's not the case with a premium of \$6.00 and \$3.00, and it underlined our determination to introduce the ability to pay principle in connection with hospital premiums at the first opportunity". Well, Mr. Speaker, is this the first opportunity? And where did this opportunity come from? It's the creation of this government. The government was in the position to create that opportunity at any time, and I say to them that they could have brought this opportunity about in 1960 when they increased the premiums. They could just as easily have called a session of this nature in 1960 and did what they are doing today. And I say to you, Mr. Speaker, why wasn't it done? Because they were not quite prepared. They were planning for the future and this is the result of that planning or part of that result. Now again on page 23: "This means, Sir, that while the reduction is retroactive until July of this year, the new tax will not come into effect until January 1st, 1962, which I think will be appreciated by those who have to pay it". Now I'm sure that isn't quite what the First Minister meant. I think he meant that it will be appreciated by those that do not have to pay it, not by those who have to pay it. The Premier, in making those statements, was weeping crocodile tears. I think that before I'm through today, I hope, I'll be able to fit in a few more pictures, a few more pieces of that puzzle into place, which will give us a fairly good picture of what this government is doing.

Now the Minister told us that by reducing the premiums from \$3.00 to \$2.00 and \$6.00 to \$4.00, it will mean a loss to the plan of \$6 1/2 million. In order to replace that \$6 1/2 million he asks us to pass the bill before us which provides for an increase in income tax, which

(Mr. Hryhorczuk, cont'd.) . . . will mean to the Province of Manitoba the amount of approximately \$5 1/4 million. He also asks us to approve a corporation tax, which is anticipated will raise the sum of \$1,300,000. In other words, he is trying to replace the loss of \$6 1/2 million. But he has already admitted, he has already admitted to this House and to the people of the Province of Manitoba that he has \$2 million too much because he is giving it back to the people of Manitoba for the year 1961. Then actually all he had to raise by way of tax, if he had to raise anything--and I submit, Mr. Speaker, that he does not have to raise a solitary copper to meet hospital services costs. He is overcharging the people of this province a neat sum of \$2 million to start with. If we take that \$2 million into consideration, and I think it's right that we should, then we do not need the corporation tax at all and the income tax does not have to be as high as it is.

Now, Sir, I think I'm coming to the last piece in this puzzle, and that is the possibility of a federal election in 1962. Now, Mr. Speaker, men being what they are, and the same applies to politicians, we can expect that our good friend, Mr. Diefenbaker, will be handing out some goodies. Now what could they be insofar as the Province of Manitoba is concerned? The Province of Manitoba and other provinces, have been fighting pretty hard to get the Federal Government to agree to pay half of the T. B. and mental hospitalizations. I think the demand on the Federal Government is a reasonable and a fair one and I think that before the next election, and probably quite a bit sooner, we will hear that the Federal Government is going to come in and pay its share of these costs which will save this government approximately \$3 million in what is now our hospital services costs. But I think that he is going to go a little further, Mr. Speaker. He is going to go somewhat further. We have had another very reasonable demand on him, not only by this government but by the former government. We have said for several years now to the Federal Government, we have many patients in our hospitals that shouldn't be there. The cost of keeping these patients in hospital has been pretty high and it isn't warranted. We should provide some other type of care or, if you want, hospitalization say in such places as nursing homes. I think that is wise and I think that the Federal Government is going to agree to come in on that scheme too. And that scheme, we cannot say what it will mean to the Province of Manitoba, but it sure is going to make up the difference between the \$3 million and the \$4 1/2 million that this government needs. So where have we come now? We have come to what this Bill is. This Bill is nothing more than a means to provide revenues for this government for the general purposes of this government and nothing more nor less. It's very timely; it's been very well planned; but I'm quite sure that the future will point out the true and correct reasons for this particular bill.

Now I say, Mr. Speaker, that if my assumptions are correct, and I think they are, then in all fairness--then in all fairness to the people of this province and in fairness to the statements that were made by the First Minister, let us earmark this source of income that we shall get under this particular bill for the purpose of reducing our hospital premiums; to apply this income to the cost of hospital services; and, Mr. Speaker, then we shall have what the First Minister is so anxious to have, a hospital cost based on ability to pay. Because when the Federal Government comes into these parts of the plan that I've mentioned, and they're going to be here as sure as the sun is going to set today, then we are immediately away from the ability to pay principle. We're back to the \$2.00-\$4.00, which is not based on the ability to pay. And I say to you, Mr. Speaker, that we should use this money for the purposes that this government led the people of the province to believe that they would be used for. That's all I'm asking--nothing more. I'm asking that the people be given what they were told they will receive--in the Throne Speech; in the press releases for the past several months; in the statement made by the First Minister in this House day before yesterday. That's all I'm asking for. I think it is a fair and reasonable request because as the bill now stands we have a couple of red herrings in it to make me and others like me believe that it is meant to reduce the cost of hospital services; but even these reasons, these red herrings, if we look at Page 5 of the bill we notice that there is a part or a division that's headed "Hospital Services Tax". Now I say to you, Mr. Speaker, that that type of approach to any responsibility by the government is below the dignity of any responsible government. That particular heading means nothing insofar as the contents of this bill is concerned. It will never be taken into the interpretation of this bill or in the interpretation of any section of that bill. But let's look at the explanatory

(Mr. Hryhorczuk, cont'd.) . . . note that's just opposite Section 6. Does it say hospital services tax? No, it does not. It says "Special Tax". Special Tax to raise 1% of income and that is the true nature of this bill. That is the intent and purpose of this bill. This is a special tax imposed upon the people of this province so that this government could carry out the promises it made at the last election. I say that these sections should be amended. They now read: "In order to raise of revenue for the purposes of the Government of Manitoba". I say that the words "the Government of Manitoba" should be stricken out and replaced with the words "paying the costs of hospital services". Then we will be on all four with what we have been promising and what we have been saying to the people of this province.

I also do not like Section 6 (2) of this bill which gives the Lieutenant-Governor-in-Council the exclusive and conclusive right to set the rates of taxation. We have no idea--I have read it and if you read it you will agree with me, no question about that. Mr. Speaker, I think this is wrong. I think that there are some people in this province are going to have a very rude awakening when these rates are set up by Order-in-Council. The fact that this government, intentionally or otherwise, left the impression that all this is going to be is a 1% tax, was wrong. This tax can be almost anything which is required to raise the amount equivalent to 1% of the taxable income. I think that the people of Manitoba and this House are entitled to know what these rates are going to be and who they are going to be imposed upon. Are all the income tax payers going to pay this or only a portion of them? That makes a terribly big difference, Mr. Speaker, and I think we should know about it.

There is one other section that I am not pleased with and that is Section 55 (1). The Premier told us yesterday, I believe in an answer to a question or in an aside I don't recall just what it was, that he hadn't signed an agreement yet with the Federal Government. We have no assurance that he will and, if he does, that that agreement will be in existence for any length of time, because this bill is drafted in such a way, and I quote from Section 51: "The Treasurer with the approval of the Lieutenant-Governor-in-Council may, on behalf of the Government of Manitoba, enter into a collection agreement!" He may--he may not. Now that opens the possibility of a double taxation in the Province of Manitoba and I think that we should take a very careful look at that particular provision. Now in conclusion, Mr. Speaker, I just wish to repeat, let us give the Province of Manitoba, and the people in it, what we have led them to believe they will receive under this bill.

MR. W. B. SCARTH, Q. C. (River Heights): Mr. Speaker, whether we in Manitoba like it or not, we are faced with a \$42 million hospital payment per year. We have listened to a lot of words from the Opposition benches across the way and, as far as I am concerned, not one of them has said anything yet. One thing I would like to comment upon is the speech just made by the Honourable Member for Ethelbert Plains, a former Attorney-General for the Province of Manitoba. If the honourable gentleman would take the trouble to look up some authority on the interpretation of statutes, he would find that the caption, "Hospital Services Tax" is a part of the Act and must be read as such. It is not like a marginal note of which we need not take notice, but that caption Hospital Service Tax means exactly what it says and it must be read as part of that section. Secondly, the Honourable Member for Ethelbert Plains did not read his mail, or certainly he did not read Section 6 of the Act throughout. The intention of the Legislature is clear. I'll read it for him. Section 6 (1). A tax at a rate necessary to raise an amount that is the equivalent of one per centum of the total taxable income earned in that taxation year in Manitoba, by all individuals, by whom a tax is payable under this Section. Now, Mr. Speaker, I don't know whether the honourable gentleman was sincere in suggesting that the Cabinet could go over that one percent, but certainly if he was sincere in that suggestion, then it is surprising coming from an ex-Cabinet Minister.

MR. HRYHORCZUK: Mr. Speaker, I would suggest that the honourable member pay a little more attention to what is being said in the House than he won't be making remarks like he is making right now.

MR. SCARTH: Well, Mr. Speaker, I would like later on to hear the Honourable Member from Ethelbert Plains clear up what he said. He indicated that the Cabinet fixed the rate of this tax. Now let him explain that away. But in this Chamber today, Mr. Speaker, as I see our duty, we are not here either to defend the actions of the Federal Government nor to approve of anything we have done. On our doorstep lies the responsibility of meeting a \$42 million bill

(Mr. Scarth, cont'd.) . . . and we must dispose of it. The responsibility is on this Legislature and this Legislature alone. Baying at the moon, as has been done by certain of the Opposition Group, will never accomplish anything for anybody. If the people of Manitoba go for that kind of talk, then really they are not getting their money's worth.

It was attributed to the new Leader of the Opposition, I think through the T. V. and the press, that he was going to do away with hospital premiums. The honourable gentleman can correct me if we have got the wrong impressions from press and T. V., but I believe he suggested that it could be done this way: by a savings--he was not explicit in that regard; by charging people, each hospital patient, up to a total of \$10.00 per stay in hospital, perhaps \$1.00 a day. . . . ; and then thirdly; a further grant from the Federal Government. Now, on the savings, I am going to ask the Honourable the Leader of the Opposition if he will answer these questions: (a) Is he going to cut down the number of hospital beds now available; or (b) Is he going to reduce the wages or salaries of hospital staff; or (c) Is he going to curtail the acquisition of hospital equipment in the future; or (d) Is he going to do away with the present plan of furthering hospital accommodations? Now, Sir, if it doesn't come under one of those categories, I am going to ask the Honourable the Leader of the Opposition to explain just how he is going to put into effect, or what suggestions he has for putting into effect that savings. And let him answer it. No more smoke screens--we have had too many of those already. The First Minister has already indicated that since 1958 there has been a sharp increase in the amount of money which we, the Province of Manitoba, have received from the Federal Government. The Honourable the Leader of the Opposition has suggested that he could get more money from Ottawa. Well if he believes he can do it, I'll contribute towards his expenses to go down there. But I might say, Mr. Speaker, that if he is going to get more money he will have to do a whole lot better than his Party did up to the year 1957, when they were in power and the Liberal Government in power in Ottawa. We want a sharp improvement over that if he is going to reduce hospital taxes.

Now we come to some more manoeuvrings from across the way. Yesterday the Honourable the Leader of the CCF, or the new party or whatever we call them these days, what is it?--(Interjection)--All right the CCF Party. I've got you. This was his amendment: "that this bill be not now read a second time, but be read six months hence", which of course meant a defeat of the bill. The Honourable the Leader of the CCF made this amendment, Mr. Speaker, without any suggestions, without any alternative suggestions as to how our \$42 million bill must be met.--(Interjection)--Well you didn't say anything.

MR. RUSSELL PAULLEY (Leader of CCF)(Radisson): Oh yes I did--you read Hansard. I said why I was moving that.

MR. SCARTH: Oh, you did say why.

MR. PAULLEY: Yes.

MR. SCARTH: Well, we didn't understand it from listening to you.

MR. PAULLEY: That is very understandable--that you did not understand.

MR. SCARTH: I will read Hansard, Mr. Speaker, and get his speech photographed so it will ever remain in my memory. But anyway, out comes this suggestion. Then there was a hurried conference between the Leader of the Opposition and the Leader of the CCF and, lo and behold, the Leader of the Opposition went hook, line and sinker for the motion also and they all stood up, all 11 of them, and voted for it, without an alternative suggestion by any member of the Liberal Party. So whether they're going I don't know. But I will suggest this, that an Opposition group is not there to obstruct and obstruct only. It is there to make a few improvements if it can. It is there to put forth ideas and those, Mr. Speaker, we have no had. There is another strange inconsistency about the speech of the Leader of the Opposition. He asked that the First Minister would give projections year by year on the effect of this hospital plan over the five-year period. Now for a man who, by the press and by T. V. has got an immediate cure for all this hospital difficulty, I don't see what he wants a projection of our ideas for. He can cure them just like that, so--(Interjection)--No I wasn't asleep. We want to know just what the Honourable the Leader of the Opposition is going to do to get over this hospital \$42 million item, and nobody has told us yet.

MR. GILDAS MOLGAT (Leader of the Opposition)(Ste. Rose): Mr. Speaker, on a point of privilege just to correct the honourable member. He has been going on now for a few minutes

(Mr. Molgat, cont'd.) . . . on the wrong tack, and to save him some time, the projection I asked for were the returns to the Province of Manitoba from the tax collection agreement and the equalization plan. That's the projection I asked for. I mentioned nothing about hospital plans in that request.

MR. SCARTH: If I have misunderstood the Honourable Leader, Mr. Speaker, very good, but I thought, I understood him to mean a projection of the anticipated income for the next five years. Am I incorrect, Sir?

MR. MOLGAT: . . . income to the Province of Manitoba from the Federal-Provincial tax collection arrangement.

MR. SCARTH: Yes, but may I ask you one question. Were you, Sir, intending the next five years, or the past five years?

MR. MOLGAT: Mr. Speaker, to me, projections mean forward. That's the position of the Liberal Party.

MR. SCARTH: Then again, Mr. Speaker, if the Honourable the Leader of the Opposition has a cure-all for it he doesn't need a projection of our plan, and if he has a cure-all whereby he mystically comes up with all this money so there are no premiums, no anything, we will go along with it, but we would like to hear his ideas. So, Sir, again may I remind the House that we have a serious problem before us that the present bill makes common sense--(Interjection)--well so that you people will understand. It is hard to get into your heads. I suggest, Sir, that we go along without any more of these smoke screens or camouflages and let's get going. Thank you.

MR. SPEAKER: The Honourable Member for Rhineland.

MR. J. M. FROESE (Rhineland): Mr. Speaker, I am happy to join the debate here this morning. I should have probably done it a little sooner in order to beat some of the other members to it because some of the things I was going to say have already been said. However, I will probably repeat some items because I think they bear repetition and also emphasis. To me there are several principles coming up through this bill which should be considered very thoroughly. First of all there is the principle of the . . . why the tax agreements were first introduced and their purposes and the changes made over the years and there is the principle of increasing taxation in years ahead without reason for allocating of the revenues. I think this also is very important because why tax when evidently there is no reason for it. Then there is a third one--that is the imposition of a new tax act when another act is on the statutes although it is suspended, so why have two or more Income Tax Acts? To go back and point out the reason why tax rental agreements were first instituted, I would like to read a paragraph from the Alberta Post War Reconstruction Committee final report. On page 79 of that report we read as follows, and I quote: "With the outbreak of war on a scale unprecedented in human history and which from the outset was likely to make demands on the nation's resources on a scale that would strain an economy that was still suffering from the results of the depression years, the Federal Government sought to limit the revenue of the Provinces in order to exercise complete control over the financial structure. Under pressure of war conditions the provinces entered into an agreement with the Federal Government to surrender to the latter for the period of the war the entire field of income and Corporation taxes in return for grants based upon provincial revenues from both sources during the proceeding years. Federal taxation in these fields was stepped up to present maximum limits and concurrently indirect taxation was increased likewise to yield a maximum revenue to the Federal Government". That is the end of the quote. It seems to me from that report that these agreements were first instituted more to limit the revenues of the Provinces than to give them a greater share of the national tax revenue. However, over the years the purpose apparently has been changed in that the provinces are getting equalization and it is proposed to stable the economy of the provinces so that for the many years now that we have been operating under this rental agreement the provinces have benefited by and through the tax rental agreement. However since we now have Bill No. 2 before us, it seems evident that even the Federal Government has only so much revenue at their disposal and from which to divide and give to the provinces. We see under the present Bill that we will be getting 16% starting in 1962 and that this is going to replace what we got in former years through the tax rental agreement. Now, if this 16% is going to be sufficient to replace that, why add the 1% a year and not allocate that 1%. It seems to me that if

(Mr. Froese, cont'd.) 16% is sufficient then that 1% should be allocated to a specific item in order to qualify that the increase in that taxation because after all the people of Canada and Manitoba have to pay that 1% as well. I will be coming back to this point later.

Then in the Premier's address the other day he said that he concurred in the factor of having the natural resources income included among the revenues for distribution. Personally, I feel one factor has been left out in drawing this to the attention of the members of this House and that is that under natural resources income it does not only refer to income from resources in the way of royalties and fees and so on but it also includes the capital income -- that means that when a province has more natural resources income, naturally they also sell us some of their resources in capital ways so that they no longer will be able to draw from these resources. They are sold and this income is being included as well which I feel not quite right because after all these provinces that have large incomes from natural resources, surely they introduce policies which helped to develop these resources and did something about it. He mentioned that Alberta, I think, had \$120.00 odd -- \$112.00 or whatever it was, the figure, and we were getting somewhere between four and five in Manitoba. Now, I feel that this is not somewhere in between -- it's way down, almost nil. So here I believe this government has been failing the people of Manitoba. We should be developing our natural resources because we have lots of them and there is no reason why one province, the Province of Alberta for instance, has such large resources and such large income from their resources when we have so little. It seems to me that it is also penalizing these provinces that have developed natural resources and we sit here and are happy that they now have included those natural resources in this income. I am sure that had some of the money that we are proposing to spend on the floodway been spent on developing natural resources, we would not have a dead asset, we would have a revenue-bearing asset and which would bring in returns for years to come, rather than doing what we are doing at present. I also mentioned the 1% a year increase from 16 to 20 over the next several years and I feel that this increase in revenue should definitely be used to, first of all, delete the 1% revenue that they are going to tax us next year, and then, after that has been deleted, that the balance go to reducing the premiums -- so that these revenues from the increase of 1% a year be allocated in that way. What else are they going to use it for? Are they going to use it for to pay the interest on the Manitoba debts which has been increasing over the years? Are they going to give it probably to Metro to cover their deficits because they are clamouring for more money, or is it going to be spent for the floodway as already mentioned, creating a dead asset.

I feel that it is wrong to increase the tax at this particular time. The farmers in Manitoba are facing declining income, they have had a poor crop and here they are going to up the taxes. Surely this is not going to augur well for any government and certainly any increase in tax is not in any way giving or making the climate more conducive for industry to come in. It will also have another deterrent effect -- the skilled and professional employees will be paying more money in taxes whereas probably in other provinces this won't be the case, and Manitoba -- we will be, as a result, in a much worse position. Surely there must be alternatives to this matter of taxation and I for one believe one of the principle ones is reduced spending. We should reduce the cost in the Health Department and not require this increase in taxes. Presently the budgets drawn up for the hospitals in Manitoba are done so apparently by the government or its branches and they are causing hardships for one hospital because the budgets the way they are drawn up go by what they have been using in the past. Now if the hospital has been operating at a very low rate of income and has been trying to run efficiently, their budget is based on that performance and thereby penalizing one hospital and its operations against another. Surely this, I feel, is wrong. There is

HON. GEORGE JOHNSON (Minister of Health and Public Welfare)(Giml): How would you suggest, Sir, that the budget be arrived at?

MR. FROESE: I would say that the local hospital boards should have more say in drawing up hospital budgets.

MR. JOHNSON (Giml): Mr. Speaker, hospitals are autonomous. Would the honourable member explain further what he means by the local board having more autonomy.

MR. FROESE: I was recently approached by a member of council, in one of the municipalities, and he said that their budget had been presented to them and they had to accept it --

(Mr. Froese, cont'd.) there was nothing they could do about it. So I go by what these people tell me because they're the people that are involved.

I also feel that this government is destroying the volunteer effort in the province. I think this is evidenced in various departments and is brought about through its centralization program. We find that there are less people involved in voluntary work today in hospitals and I think the same goes for schools, in that we're losing volunteer effort in this regard and this also, I think, applies to the Credit Union movement which is so wholly dependant on volunteer effort. Because the way the government is treating these matters by increased spending, people feel that there's no longer a need to do voluntary work, that why not get paid for it when everyone else gets paid for his work.

Coming back to section 6 of Bill No. 2, I feel that the 1% tax or the 1% proceeds from that 1% tax is not going to be a 1% tax increase to the taxpayer. This is wide open and I'm sure in my own mind that it won't be a 1% across the board. I'm sure there will be variances and to many taxpayers it will mean much more than the 1% they are led to believe.

Now, before I sit down, I have some questions which I would like to direct to the members of the government. I checked into the statutes of Manitoba and also in the Canadian statutes regarding the tax rental agreement and also the Income Tax Act and there are a number of things which to me seem to be confusing but I'm not too sure -- maybe we could have the information on these matters. I will put these questions forward and probably can get the answers. One of them is: Do we have two or more Income Tax Acts at the present time? Since there's one suspended in '42 included in the revised statutes of '54 and suspended under Chapter I of 1955. Then question (2): Does the Federal Income Tax Act have precedence to the Provincial Act? (3): Do the tax rental agreements die as they expire or do they carry on? (4): Is there any conflict in the overlapping of the tax rental agreements and Bill No. 2 that is before the House? Then (5): Regarding the mechanics of Bill No. 2, I find that in Section 14 (1) (a) which deals with the income tax to farmers that they will, in future, have to estimate their income tax before the year ends and make a remittance and then pay the balance when they file their returns by March 31st or April 30th. Then also regarding remittances; presently school districts are not required to remit monthly but have the right to remit these tax deductions at source twice a year. I'm just wondering whether there are any changes being effected through this Bill No. 2 in this regard. Thank you.

MR. JAMES COWAN, Q. C. (Winnipeg Centre): Mr. Speaker, yesterday and today we have heard many complaints from Opposition members in this House that Manitoba is not to get more money from the Federal Government than is proposed under this agreement before this House. The members on this side of this House agree with them in that respect. The First Minister on numerous occasions has objected to the federal proposals and it is no doubt due in part to his vigorous objection to the proposals of October 1960 that we have a much better agreement before this House at that time than would have been the case if the proposals of October 1960 had been submitted. If the Liberals were in power in Ottawa you would have much more to complain about, for according to a table on Page 7927 in the July 11th, 1961 issue of Hansard under the 1957 agreement the amount that Manitoba would have received under that agreement in the forthcoming fiscal year would be \$38,056,000. as compared with \$42,296,000. under the proposed agreement, an increase of \$4,240,000.00. The Liberals and the people of the Province of Manitoba should be thankful that we have not got a Liberal Government at Ottawa. Furthermore, we should be appreciative of the tremendous increase in conditional and unconditional grants to the Province of Manitoba. An increase from \$8,378,000 in 1957-58 to an estimated \$32,688,000. in the present fiscal year, or about a four-fold increase. At the same time, the total grants of the Federal Government increased from \$664 million to \$1,283 million or an increase of not quite double. Manitoba has benefited much more than the average Canadian province from the increase in federal grants. While the average increase has just been doubled, the increase to Manitoba has been four-fold. The federal revenues which are collected mostly in Ontario and Quebec are being distributed throughout Canada not only through the Federal-Provincial agreement but also through these federal grants. Opposition members are loud in their praise of the equalization principles embodied in the 1957 agreements and it is the principle for which our Premier fought for but these agreements weren't too perfect either, as is shown by the fact that the Federal Government in 1958, the present,

(Mr. Cowan, cont'd.) government gave increased Atlantic Provinces Adjustment Grants to the four Atlantic provinces of \$25 million a year which are to be increased to \$35 million in the next year. So these equalization agreements of the 1957 aren't so perfect after all for we find that people in all parts of Canada and in all political parties agree with the justice of giving these increased grants to the rather poor Atlantic provinces in order that they can bring up their standard of services more in line with the services in other provinces of Canada. Mr. Speaker, I am sure that the people of Manitoba will be surprised at the irresponsible action of all of the Opposition members yesterday afternoon when they voted against this proposed Dominion-Provincial agreement when they voted for the motion of the Leader of the Honourable CCF. -- (Interjection) -- No, I am not quoting Fleming through Hansard. And I would like to know, I would like to know what the CCF -- how the CCF Party would have voted if they had been on this side of the House in respect of those agreements. -- (Interjection) -- How would you have voted?

MR. PAULLEY: forced into it but we would have had a different approach insofar as hospitalization premiums are concerned.

MR. COWAN: You would have voted for the bill.

MR. PAULLEY: The first part, yes.

MR. COWAN: You would have voted for the bill. So we have the fact that the CCF would have acted as responsible people if they had been on this side of the House.

MR. PAULLEY: Mr. Speaker, may I just explain to my honourable friend we would have voted for a bill entering into the tax collection agreement, but certainly not the bill that we have before us at the present time.

MR. COWAN: We would have had a responsible vote from the CCF Party if they had been on this side of the House. Now surely, surely the principles of the CCF Party are such that they don't change their vote just because they are on the other side of the House. Surely -- (Interjection) -- And how would the Liberals have voted if they had been on this side of the House when that vote came up yesterday. Would have the Liberals voted for the bill if they had been on this side of the House?

A MEMBER: Would you have voted against it if you had been on this side?

MR. COWAN: No, I would have voted for the bill. I would have voted for the bill because if we don't vote for that bill we are throwing away millions of dollars for the people of Manitoba. The amounts that will be payable is something like \$42,296,000. and by the Opposition Parties taking the irresponsible attitude of voting against this bill, they are certainly voting against the welfare of the people of this province. How would the Liberty Party have voted if they had been on this side of the House in respect of that bill? -- (Interjection) --

MR. MOLGAT: not the least bit embarrassing. We wouldn't be presenting a bill of that sort. We'd be ashamed to.

MR. COWAN: I'm sure that the Liberal Party would have voted for the bill if they had been on this side of the House. They would have acted as responsible persons. -- (Interjection) -- not always right -- not always right. The CCF Party don't like the hospital premiums. There are some 35,000 needy persons in Manitoba who don't pay hospital premiums but the CCF object to the fact that others who don't pay income tax must pay hospital premiums. Surely it is fair that the people who receive hospital care should pay some portion of the cost if they can do so. Under the proposals, the people that pay premiums will pay about one-third of the cost. Only a few years ago, people that went into hospitals paid the full cost, not just one-third, and surely it is fair that they should pay at least one-third of the cost through the premiums. --(Interjection) -- If we eliminated all of the people in Manitoba who don't pay income tax so that they didn't have to pay a hospital premium as the proposal of the CCF, then we would eliminate many people who could well afford to pay that premium. For instance, an unemployed man between 65 and 70's could own \$52,000 of 5% bonds, and if he's married he would pay no income tax, and he could at the same time own a clear title home which might be quite valuable, or he might have \$86,000 in a 3% bank account -- (Interjections) -- No, but there are others, perhaps the farmers who can take quite an allowance for capital cost allowance, depreciation on buildings in the income tax so that they don't have to pay an income tax and yet they could well afford to pay the premium. There are a number of people who can well afford to pay the premium that do not pay an income tax. But if it is such a good idea that those

(Mr. Cowan, cont'd.) . . . who don't pay income tax should not pay hospitalization premiums, the CCF Party should be able to convince the Saskatchewan CCF Party that this is a policy that the Saskatchewan Government should adopt. After they have put into practice what they preach, then it will make more sense for the CCF to advocate such a policy. The CCF are pikers compared to the Liberals with regard to hospital premiums, for in spite of the fact that the Liberals instituted the hospital premium at a higher premium than is now proposed before this House, the Liberals now propose to eliminate the hospital premium. The Liberals should tell us and the people of Manitoba where they are going to obtain this \$19 1/2 million. We are told that they will obtain some from the Federal Government but you can only get from the Federal Government what the Federal Government will give you, and the Federal Government have already increased the payments to Manitoba in the last four years under the conditional and unconditional grants by over \$24 million and under the Dominion-Provincial agreement by almost \$8 million -- an increase of over \$32 million in payments during the last four years -- so that we cannot get money from the Federal Government because it refuses to give anymore at the present time, so the Liberals must tell us how they are going to find the money to take up the slack if premiums are done away with and the proposed income tax is not put into effect. We are told a deterrent of \$10.00 a case, and we have this survey made by the Hospital Services Plan which shows that the saving would only be \$917,167 a year, less than a million dollars, and that doesn't go very far to make up the \$19 1/2 million in costs that have to be made up. Then they tell us to reduce costs. Well, they should tell us where the costs are to be reduced. They should itemize these costs; what salaries are to be cut; what beds are to be closed up, and tell us where the costs are to be reduced. Or perhaps you approve of all the present expenditures for hospital services in Manitoba. You approve of each item of expenditure for salaries, for food, for orderlies and equipment and so on, but you don't like the total. What kind of a policy is this? The people of Manitoba will see through such nonsense and the Liberals will completely lose the respect and support of the people of this province.

MR. DAVID ORLIKOW (St. John's): Mr. Speaker, for 25 years all political parties in this province, indeed all political parties in Western Canada have been advocating and expounding the basic principle that the tax revenue derived in the Dominion of Canada paid for by the people of various provinces should be shared on an equitable basis between the Dominion, the Federal and the Municipal Governments. Provincial Premiers, beginning with Premier Bracken, followed by Premier Garson, Campbell and the present Premier have been eloquent in their advocating of this policy. I had thought, Mr. Speaker, that all parties and all members agreed with this, but I must say that having listened to some rather remarkable speeches from that side of the House yesterday and today I am somewhat confused. The Honourable Member from St. Vital last night wanted us to believe that he thought it made sense, it was justified for the First Minister of the Province of Manitoba to be requesting from the Federal Government something in the nature of \$25 million a year more in revenues and at the same time it made sense for the Prime Minister of Canada to say to the First Minister of this province that he was asking for too much. Now how both positions can be justified I frankly cannot understand.

The Honourable Member for River Heights this morning tells us that we are irresponsible when we vote against this bill because all that's before this House is a bill which the government is presenting. What nonsense, Mr. Speaker. What's before this House is not only this bill which we are discussing today, what's before this House is the culmination of negotiations between the Federal Government and the provinces and this bill only spells out the agreement which has been reached in principle, and the question which we have to ask ourselves and which the people of this province have to ask themselves is, "Is this agreement a good agreement? Does this agreement meet the needs of the people of this province?" If it does, and the bill spells out what we are going to get and how we are going to get it, then it's a good agreement; if it doesn't, then it's a bad agreement. And I want to say, Mr. Speaker, that if we are irresponsible on this side of the House for saying that it doesn't meet the needs of the people of Manitoba, then much more irresponsible was the present First Minister when in the years gone by he specified what he needed, what he wanted, what this province required -- and I'll come to that in a few moments. He listed in detail -- and it's a good thing that we have Hansard today -- he listed in detail what he required and now when we see what we are getting, when we compare what he said he required with what we're getting, for the members on that side to say

(Mr. Orlikow, cont'd.) that we are irresponsible, Mr. Speaker, I think is nonsense and they are going to have to decide one of these days who they're going to follow politically, he or the First Minister of this province or the Prime Minister of Canada. They can't have it both ways and square this with the people whom they represent.

Now, Mr. Speaker, we make no apologies for the fact that we have always advocated the policy whereby a more equitable share of the tax collections in the Dominion of Canada would be given back to the provinces, including the Province of Manitoba, through tax rental and tax sharing agreements. One only has to look at the picture in Canada, one only has to look at the profits made by the large corporations which do business in the Province of Manitoba but which have their head offices in the central provinces to see the situation with which we are faced. The Honourable Leader of the Opposition spoke about the auto industry yesterday. I have a few figures to show what some of the companies other than autos who do a substantial amount of business in the Province of Manitoba and which makes, I'm sure, substantial profits, what kind of profits they're making. Imperial Oil which makes a profit out of almost every car driver and every user of farm equipment in the Province of Manitoba had a profit in the year 1959 of \$54 1/2 million. Massey-Harris Ferguson Company which did some business with the farmers of Manitoba had a profit of \$21 million. Safeway Stores which purchase a good deal of farm commodities from the farmers of Manitoba and sold them to city people in the Province of Manitoba had a profit of \$5 1/2 million. Dominion Stores had a profit of \$6 3/4 million. Canada Packers a profit of \$4 1/2 million. Now I'm not suggesting that these profits are too high at the moment. All I'm suggesting is that the bulk of the profits are paid to the head offices in the Province of Ontario and that the people of Manitoba unless there is an adequate tax sharing agreement, will not get their fair share of these revenues. And it is this principle which all members of all parties in this House have for some 25 years fought.

Now the present Prime Minister of Canada, while he was in the Opposition and for a year or two after he became the Prime Minister, made some very specific promises to the people of Manitoba and I think that we ought to understand what those promises were before we try to assess whether we're getting a good deal or not. And here is what Mr. Diefenbaker said when he was the Leader of the Opposition in the year 1956, and members can find this quotation on page 6370 of Hansard of that year, and I quote: "The government" -- he's talking about the St. Laurent Government -- "simply said; "These are our terms". No opportunity was given for amendment, or for amelioration of any term. The recipe for a division of taxation was as final as the laws of the Medes and the Persians. There was no opportunity for negotiation; there was simply the attitude of a feudal lord bringing into being a modern feudalism and laying down the laws to the vassals. "

Well, Mr. Speaker, what has Mr. Diefenbaker done? Exactly the same thing. In 1957, speaking in Truro, Nova Scotia, Mr. Diefenbaker said a Conservative Government would immediately convene a Dominion-Provincial conference with representatives of the provinces and the municipalities, to restore once again the opportunity for the provinces and municipalities to exercise their functions under the terms of Confederation. That was in 1957, Mr. Speaker -- four years ago. Have we had such a conference? Have the representatives of municipalities had a chance to say what they're thinking? Well, the people of Urban Metro Winnipeg certainly don't think so. One can hardly walk down the street without being approached and told how heavy the taxes are. Sometimes the local government is blamed; sometimes the school district is blamed and now we have a new scapegoat, Metro, but in fact the people are complaining bitterly, and I think justifiably, about the high cost of local taxes, which Mr. Diefenbaker promised would be taken care of partly through further grants from the Federal Government. And, of course, this has not been done.

April 1957, Mr. Diefenbaker said in Toronto, "We intend to form a government to immediately convene a Dominion-Provincial conference to bring about a settlement of these problems, not in a spirit of arrogant domination as displayed by the present government but in the spirit of unity and amity and with mutual tolerance and respect." Well, Mr. Speaker, these were brave words and they were words which were taken into consideration by the people of this country and they were words which were promptly forgotten once Mr. Diefenbaker took office.

Now, Mr. Speaker, what about this government, and what about our First Minister? He's

(Mr. Orlikow, cont'd.) an astute politician; he's a competent Premier; he knows what he wants to do. He knew, Mr. Speaker, that the programs which he was promising to bring into being would cost a substantial amount of money. He made promises that there would be no increase in provincial taxes. The only way, Mr. Speaker, in which those promises could have been lived up to obviously were if the Prime Minister of Canada had lived up to his promises. I think that the First Minister had a right to expect that the Prime Minister of Canada, the Leader on the national scale of the same Party which the First Minister leads in this province, would live up to his promises. Well, Mr. Speaker, he has been sadly disappointed.

Now we have been accused of irresponsibility on this side of the House. We have been told that we are asking for too much. Well, Mr. Speaker, we are not asking. I want to say that the First Minister is a very competent actor. He knows what he needs; he knows what this province needs; and I want to say that I couldn't put the case, and I am sure that nobody else on this side of the House could put the case for what this province needs any better than the First Minister of this province has done every year until yesterday. Let's just look in case the members on that side of the House have forgotten and from what they have said for the last few days I must assume that they have forgotten what the First Minister here has said. Let's just look at what he asked for in years gone by. I am not now talking about what he said when he was in the Opposition because there may be some truth in the idea that when a political party is in the Opposition that they don't quite know -- (Interjection) -- I said there may be -- there may be some truths in the idea that when a political party is in the Opposition they don't quite realize the implications of all the promises which they are making. But these are promises which the present First Minister made after he was elected to office. So let's just look at them and let's watch, Mr. Speaker, how progressively from year to year as the realities of dealing with the Federal Government have sunk in on the First Minister how he has scaled down his requests.

In his budget speech made Monday, March 16, of 1959, here are things which the First Minister suggested the Federal Government ought to do. (1) Call an early conference of Premiers. (2) He would ask for an immediate increase in the provincial share of personal income tax from 13 to 15%; Corporation tax from 9 to 15%; and a payment equal to at least 50% of the amount the former federal succession duties would have provided. (3) He would ask for long-term aid for soil and water conservation projects. (4) Aid toward the \$85 million floodway protection program. (5) Federal aid to universities and technical schools. (6) More assistance for northern road development. (7) Extend hospital plan to cover persons who are mentally ill or suffer from T. B.

A pretty good program. Nothing more radical than we have asked for on this side, yet we are accused of being irresponsible -- (Interjection) -- Not very much -- not very much. On July 16th of 1959 the First Minister is quoted in the Free Press as saying: "Manitoba wants a greater share of the tax dollar from the Federal Treasury and we will be in their fighting for it, Premier Duff Roblin told the Free Press Monday as the conference of Federal and Provincial Treasurers assembled." Fighting -- fighting -- well, the fight's gone a long time ago. If he thought it was in the back rooms, Mr. Chairman, certainly there was no public pressure on the Government of Canada.

Well, Mr. Speaker, I could go on and on but I want to just give one gem. On July 29, 1960 Mr. Roblin had a press interview and he is quoted in the Free Press as saying he would be happy to get \$25 million a year from the Federal Government. And he spells it out. He isn't satisfied with that -- he spells it out. He said from the new tax rental formula he wants \$16 million a year and an expansion of federal conditional grants from \$5 to \$10 million. Well, Mr. Speaker, what have we heard yesterday and today, beginning with the First Minister and going back to the back benchers. Why we have so much in the conditional grants that really the fact that we are not getting any more from the tax rental agreement isn't very important. -- (Interjection) -- Well, I'm sorry. The Member from St. Vital said that the Prime Minister of Canada was justified in turning us down. We were "gimmies" -- we were asking for too much. I hope he goes back and tells the local taxpayers in the municipality of St. Vital that they are going to have to pay more money in local taxes because there is no money coming from the Provincial and Federal Governments. If he does he won't be here after the next provincial election, this I can guarantee.

(Mr. Orlikow, cont'd.)

Mr. Speaker, these are the kind of promises which were made -- the kind of demands which were made until yesterday by the First Minister. Well I could go on; I could talk and could quote how the First Minister talked about the need of getting aid for capital development for roads and all the rest of it. All this is gone of course; all this is out. None of this is available under the new agreement. I don't know why we had a bit of a hassle about the possible projections of what we would have got under the old agreement; what we would have got under the agreement as amended in 1958; and what we get under the new proposal; because if members want to take the trouble to turn to the budget speech which the First Minister made during the regular session, they will find a whole page in which these projections are listed. Let's just look at that, and let's compare it with the \$25 million a year which the First Minister was saying we required. Here are the figures, and they are not my figures and they are not the figures of the Honourable Leader of the Opposition, they are the figures presented in this House by the First Minister, I presume on the advice of his technical experts, and I, for one, accept them. Well under the old agreement, Mr. Chairman, if it had been continued unchanged for the years from 1962 through for the five years to 1967, we would have received \$210 million. Under the agreement that was amended in 1958 we would have received \$225 million. Under the new agreement, Mr. Speaker, we will receive in the five years \$228 million. Well, Mr. Speaker, I must say I always thought the First Minister was a good negotiator, a tough negotiator, a hard-headed business man, but when he asked for \$25 million a year and comes back with \$750 thousand a year, I just have to wonder what happened to that shrewd, hard negotiator. He has sure been taken in by "Dief", is all I can say. Well, Tommy at least has the common sense and the courage to say that he is getting a bad deal, which is more than the First Minister of this province has said. Mr. Speaker, I have a great deal of respect for the First Minister. There is nobody who can make a better fighting speech; there is nobody who can go into orbit faster when he has got some kind of case than the First Minister; and I want to say that yesterday's speech by the First Minister was the quietest, meekest, defensive speech which I have ever heard him make.

MR. ROBLIN: I return the compliment.

MR. ORLIKOW: Mr. Speaker, I want the members of this House on both sides to try to imagine for one moment what kind of speech the First Minister would have made yesterday if instead of a Conservative Government in Ottawa we would have had a Liberal Government in Ottawa. Boy, his speech would have been long and it would have been bristling and it would have been full of the injustice which has been done to the people of this province and to the government of this province, and everybody else. But we didn't get much of that yesterday naturally. After all, Duff has to protect Dief and Dief tries to protect Duff I suppose. Well, Mr. Speaker, let's have a look at this agreement which we are now initialling. What's wrong with this agreement? I think what is wrong with it is very obvious. Under the new agreement, which will, in fact, give us practically no more money than we have been receiving under the old agreement, under the new agreement we will equalize payments up to the per capita return on the national average instead of as in the old agreement up to the per capita return from the two richest provinces. This is a very substantial change and a very detrimental change to the people of all the provinces except the Province of Ontario. This change in the allowance for one-half of resource revenue should result, at least in the early years of the agreement, in lower equalization payments to Manitoba and Saskatchewan. The new agreement provides for a floor so that the payments will not be less, but they certainly do not give to this province the money which it requires. The new proposal, despite what the First Minister says, means a return to the tax jungle which we had in the 1930's. Let's just look at how this works. Let us suppose, Mr. Speaker, that because of increased services in every province, and every government no matter what its political stamp is thinking in terms of improving and increasing services, and so costs are going up. Now what this means, Mr. Speaker, is simply this, and I give you three provinces as an illustration, that to collect \$10.00 more per capita for increased needs in the Province of Newfoundland, the Province of Newfoundland would have to raise its income tax rates by 28%; the Province of Saskatchewan by 15%; while Ontario would only have to raise its income tax by 7%. So we have a situation that those who have will receive more, and those who haven't will get it in the neck as they usually do.

(Mr. Orlikow, cont'd.)

Now, Mr. Speaker, the proposal of the Federal Government, which we are accepting if we approve this bill, abandons the principle of equalization in fact, and replaces it by a principle of averaging. Under the existing agreement the income tax revenues of all the provinces are equalized to the level of returns in the two richest provinces. This is being scrapped and replaced by the much less equitable measure of a national average tax deal. It is true that the provinces can, and indeed we in this province are increasing our own income tax, but this is not a reasonable substitute for an adequate tax sharing program with equalization. Other provinces made proposals and I am sure this province made proposals. Premier Lesage proposed that equalization payments be maintained at least at the level they would have been at under the current arrangements which we are now going to leave. This would have made sense to provinces like Manitoba which needs a substantially increased tax room which the Federal Government held out as an advantage of the new proposal. But of course this was rejected by the Federal Government. The Federal Government is withdrawing from the income tax field in the steps which it proposes beginning next year with 13% and increasing up to 20%, but this will mean no real new revenue to this province or most of the other provinces. Not only that, under the new agreement, if Ottawa is to collect the provincial tax, the provincial tax rate must be identical at all times with the federal definition. Now we are told that the Federal Government will only collect the tax if it is expressed as a percentage of the provincial rate. There is no guarantee to this province or any other province that we will be notified in advance of changes in the federal tax rates so our rates can be adjusted; or, if this is impossible, that the province will be compensated for any changes in the federal rate. Provincial receipts will change with every federal tax change while our percentage rates must be constant throughout the year. All this, while the Federal Government can change its rate whenever necessary. How this Provincial Treasurer, or any other Provincial Treasurer can sensibly drop a budget in the years to come, I leave to the present Treasurer to explain.

Now, Mr. Speaker, we moved the motion which we did yesterday and we vote against the bill, not because we are opposed for one moment to a reduction of hospital premiums, on the contrary, we were the first ones to say publically that the \$6.00 and the \$4.00 rate was too high; and was too high for those people in the low income groups. We were the first ones to say publically that what was required was some system whereby there would be taken into consideration ability to pay. When we vote against the bill, we are voting against the bill, because we think that the tax agreement which is being concluded between the Dominion of Canada and the Province of Manitoba is not adequate to meet the needs of the people of Manitoba; it doesn't meet the promises made by the Prime Minister of Canada; it doesn't meet the requests of the First Minister of this province.

But there is another important factor, Mr. Speaker, we are going to raise out of this tax on personal income tax and on corporations, about \$6 1/2 million according to the First Minister and the whole of the \$6 1/2 million is to be allocated to the reductions of hospital premiums. We support the idea of the reduction of hospital premiums, but let us remember, Mr. Speaker, that this government is committed to a whole series of other programs. This government made some promises to the people of Manitoba that the steadily increasing municipal taxes would be stabilized as a result of programs initiated by the Provincial Government. This government made some promises and I don't want to bring in Hansard to prove again what the Minister of Education said, I have done it on three occasions or more before. This government told the people of Manitoba that school costs would be reduced, or certainly held at the level of a couple of years ago, to increase contributions by the Provincial Government. This government instituted a Social Allowances Act, which the Minister of Health said was the best act which any province in Canada had. Well, I said then, and I say again, it may be the best act, but as long as the act is only on paper and until the act is proclaimed in full, it isn't worth the paper it is written on; and when it is proclaimed in full, Mr. Speaker, I predict again, as I predicted in the past, that the cost for health and welfare services in this province will be about \$10 million a year higher than they are at the present time. This province has made some very important commitments in the field of capital costs. \$200 million plus for roads, new hospitals, new power developments, new schools, all this has been promised by this government. Now, Mr. Speaker, if we are to take the entire 1% tax -- and I want to talk about that in a moment -- and

(Mr. Orlikow, cont'd.) . . . devote it to hospital premiums, and if we are not to get more money from the Federal Government, through Dominion-Provincial tax sharing program, how is this program, which not we on this side but you on that side, the First Minister promised to the people of Manitoba, how will it be instituted?

Mr. Speaker, I still believe that the First Minister believes that what he has promised, he could do. I still believe that the First Minister will do most of the things which he promised. I want to predict, Mr. Speaker, that if he does that, and in view of the fact that in the next five years he is not going to get more money from the Federal Government, that this income tax and corporation tax which we are voting on in this session is only the first step and that what we are going to see in the next four or five years, if this government stays in office that long, is a succession of increases of taxes to meet the promises which the First Minister made in past years. There is no other alternative, either the First Minister cuts down on the promises which he made or he raises the taxes in order to pay for the things which he has promised. There is no other way in which this can be solved.

Now, Mr. Speaker, I want to spend just a few minutes talking about this so-called 1% tax. Most of the people I have met -- the ordinary people on the street -- have an idea that all that's going to happen to them when this tax comes into effect, is that they are going to pay 1% more in tax than they paid last year. I am not saying that the First Minister said quite that; I am not certain quite what he did say; I am not sure quite what his bill says because I don't claim to be a tax expert, but I could tell the First Minister that I spent three or four hours with lawyers and accountants who work full time at tax matters and that they couldn't explain the provisions of the bill. One thing is obvious, that to get 1% of the taxable income, is going to require substantially more than a 1% increase in the income tax which people paid this year. The estimate I have been given is that if the 1% in taxable income is to be raised by some uniform rate that the income tax which people paid last year will be increased not by 1% but will be increased by some figure between 4 1/2 and 7%, and this is the figure which I have been given from what I consider reliable sources, and if it is wrong, I think that the First Minister owes it to the people of this province, if not to the members of this House, to explain precisely what he has in mind. This would be bad enough, Mr. Speaker, but in fact the legislation is much worse, because the legislation doesn't spell out what the tax actually will be; it leaves it to the Lieutenant-Governor-in-Council to set the rate and there is no indication, either in the bill or in the speech which the First Minister made, up until to now, as to what these rates will be. Now yesterday's editorial in the Winnipeg Free Press suggests that higher income groups may have to pay, and I quote: "several hundred or even thousands of dollars". There is no mention in the bill of a ceiling such as the maximum of \$60.00 for the Federal Old Age Pension Tax. Well, Mr. Speaker, as usual I don't agree with the suggestion of the Winnipeg Free Press, because if there is a maximum at the top, and if the First Minister had suggested 1% of the taxable income in total, then the only place he can get it is by increasing the tax to be paid in the lower incomes, or in the middle incomes, and I, for one, believe in getting the money from those people who have it -- and the people who have it are the people at the top.

So, Mr. Speaker, I think that what we require is a good deal more explanation from the First Minister as to precisely what he has in mind. I think the people of this province are entitled to know what this new tax will mean to them and even after that, Mr. Speaker, I think that this House and the people of the Province of Manitoba are being asked to accept a very bad deal. Now maybe it's the best deal which the First Minister could make. I think it is and I think that's the reason why the First Minister was so quiet, so subdued, in introducing this bill, and I don't blame him because in fact every Provincial Premier is faced with either you take this or you go out on your own, which is even worse. But if that's the case, Mr. Speaker, I wish in caucus that he had told the members in the back bench: "Look boys, I don't like this, it's the best I can do, so I'm accepting it", then maybe they wouldn't have been so quick to defend Mr. Diefenbaker in what is obviously, Mr. Speaker, a bad deal for the Province of Manitoba.

MR. STAN ROBERTS (La Verendrye): Mr. Speaker, I beg to move, seconded by the Honourable Member for Gladstone that the debate be adjourned.

Mr. Speaker presented the motion and after a voice vote declared the motion carried.

Mr. Roblin presented Bill No. 4 - An Act for granting to Her Majesty certain further sums of money for the public services of the province for the fiscal year ending the 31st day of March, 1962, for second reading.

Mr. Speaker presented the motion and after a voice vote declared the motion carried.

MR. ROBLIN: Mr. Speaker, I see that the next item on our paper is an address by the Honourable the Leader of the Opposition, in which he will no doubt give us his views on the general character and calibre of the government and unless he can do that inside of the next ten minutes, I presume it would be more agreeable to him if he commence this afternoon, but I consult his interests in the matter.

MR. MOLGAT: The commendable features of the government, I could do very easily in much less time than that. The remainder of my comments will take substantially more.

MR. ROBLIN: My honourable friend was never yet able to do justice to most of the subjects he discusses, so I quite understand it. So I will move, Sir, that the House do now adjourn.

Mr. Speaker presented the motion and after a voice vote declared the motion carried and the House adjourned until 2:30 in the afternoon.