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tal hospitals and more aid in treatment of tuberculosis, and \$5,630,000 in the Highways Department for urgently needed repairs to roads after years of heavy traffic of war equipment.

"With the ending of the war," Mr. Frost said, "to have postponed making repairs would have been disastrous."

External Debt Lower

As an indication of the favorable progress during the year in debt financing, he said that the Provincial debt payable in New York funds had been reduced by \$6,369,000 and the debt payable in London by \$2,020,319. With the Dominion continuing foreign exchange measures, Mr. Frost said that it was with satisfaction that he was able to announce reduction of more than \$8 million in the external debt of the Province. Further, refunding of serial loans at lower rates would result in annual savings of approximately \$600,000 in interest and foreign exchange.

"This," he told the House, "is a very gratifying saving in one year, resulting as it has from prudent management. This improvement in our financial position, impressive as it is, was made possible by calling at the earliest possible date debentures which normally would have remained outstanding at much higher rates."

Significance of the figures was

that Ontario's strong financial position was reflected in its high credit standing. Rates were well below those paid by other Provinces.

The Treasurer declared that the burden of foreign exchange borne by the Province and the Hydro under Dominion Wartime Foreign Exchange Control Regulations should now be lightened. As a direct result of these regulations, Ontario and the Hydro had paid more than \$12 million during the war period in premiums for New York exchange to cover interest and maturing debentures.

"This is a burden," Mr. Frost said, "which has been put upon the Province and the Hydro Commission as a result of the financial policy of the Dominion Government. No complaint has been made by this Government during the period of the war. However, with the termination of the war we have submitted that this annual burden of upward of \$2 million should not be borne."

Mr. Frost said that while the Province did not question the wisdom of the Dominion foreign exchange policy, it placed a heavy annual burden on the Province and recalled that it had been submitted that the Dominion make available to the Province and municipalities at parity of exchange, exchange needed to meet external obligations. (This was one of the proposals submitted to the Dominion-Provincial Conference in January by Premier George Drew.)

Mr. Frost reported increased deposits in 22 Province of Ontario Savings Offices—\$43,820,919 as compared with \$38,741,362 the previous year and purchase by depositors of \$8 million of the 8th and 9th Victory Loan bonds. He also reported that the Government was continuing to liquidate loans granted under the Agricultural Development Board and that maturing loans were being paid promptly.

He gave current farm loans as 11,619 with a total indebtedness of \$23,436,000. Reductions granted under the Farmers' Creditors Arrangement from its inception were \$1,183,757.

The Provincial Treasurer announced a decrease of \$5,693,110 in the Province's gross debt and an estimated \$587,648 decrease in the net debt. It was with satisfaction, he said, that in each of the three Budgets he had presented he had been able to announce a surplus or ordinary account and reductions in gross and net debts.

"This," said Mr. Frost, "marks a new achievement in Government financing. Without imposing any new taxes, the Government has steadfastly adhered to a sound policy of a balanced Budget, a reduction in debt and, with it, a conservation of our credit, which will be of vital importance in the post-war days of expansion and progress which are immediately ahead."

Submitting an outline of the Province's financial position and discussing the problems to be faced, Mr. Frost stated that during the past four years the Province had balanced its Budget and reduced debt even though large additional commitments had been met. The favorable balance had been the result of deferring many important works, expedient since all efforts were directed toward winning the war, and because revenues were inadequate.

Hopes for Conference Success

He expressed hope for the success of the Dominion-Provincial Conference which would vitally affect Provincial taxing powers.

He advised House members to study the brief which the Provincial Government had presented at the conference, as well as briefs submitted by the Dominion and the other Provinces.

"A vital factor in the success of our Federal system," Mr. Frost pointed out "is the strength, independence and self-reliance with which each Provincial Government is able to undertake its own allotted tasks."

The Ontario Government, he said, had not been dogmatic, but had submitted a carefully prepared and considered plan, stating that certain modifications might emerge, Confederation itself having been brought by an attitude of give and take.

He cited the speech of the Hon. George Brown at Toronto in 1864—a vigorous defense of the preliminary agreement and the compromises in which he had concurred to bring it about. Brown had been a strong believer in direct taxation though some of the Provinces had never employed it except in minor instances. Their revenues had been derived almost entirely from indirect taxation. Some Provinces had preferred to give this taxation power to the Central Government in return for subsidy payments based on population, relieving them of levying direct taxation. The subsidy had been agreed on finally with the Provinces retaining the right of direct taxation, the Central Government levying indirect taxation.

"One has only to glance at the course of events," the Provincial Treasurer remarked, "to see how sound this decision was. At the time it was stated by one of the Fathers of Confederation that the subsidy would be sufficient for all time for the local or Provincial Governments.

Denies Selfish Attitude

"Time demonstrated that Confederation could not have functioned if the Provinces had not had ample financial scope. It should

therefore not be said that those who seek to assure fiscal adequacy for their Provinces are selfish any more than that the wise counsellors who obtained direct taxation for the Provinces in 1867 were selfish. Their advice made the union successful."

Calling for a spirit of co-operation, Mr. Frost said: "We in Ontario might take a selfish view. We might say that even if there were no agreement we could get along. Our position is very strong. If Ontario's taxing powers now held by the Dominion were returned, this Province's position would be quite satisfactory. But Ontario was pressing for a settlement that would be equally acceptable in every part of Canada and without thought of giving special advantage to those in Ontario."

Heralding a program of expanded development of forest resources, including more adequate forest protection, conservation and reforestation, the Provincial Treasurer said the departmental appropriation would be increased \$1,200,000 to \$5 million. For some years, he said, only about \$2 million had been spent annually on the forests. This had been increased to \$3 million in 1944 and \$3,800,000 last year. He pointed out that 85 per cent of all accessible forests and lands in Ontario still were owned by the Province, about 110 million acres which in 1943 had produced \$195,379,500 in pulpwood, wood pulp and sawlogs.

Forest resources, he added, also were the basis for a great industry, wood and paper products, including pulp and paper mills, saw and planing mills and factories making paper boxes and bags, furniture, etc. Nearly \$4 million was invested in the industry in 1943 and its products totalled \$372,248,223.

"We plan to progressively expand and improve our services for this great and valuable natural resource."

Mr. Frost also forecast extension of Hydro services in rural districts resumed in 1944, when 400 miles of primary lines had been constructed and 10,000 power customers added. In 1945 1,073 additional miles of lines had been constructed, adding 11,420 more consumers. This

year, he said, 2,058 miles of new extensions serving 7,250 new customers were planned. In addition it was expected that 15,500 more customers would be added of existing lines for a 1946 total of 22,750. This would require an expenditure of more than \$8 million, the Province paying half.

"The Government has therefore appropriated \$4,150,000 for rural Hydro extensions to bring the blessings and benefits of Hydro to our rural communities."

More for Fish, Game

To carry forward a plan to increase conservation and propagation services, the Game and Fisheries Department estimates are being increased from \$751,400 to \$1,092,000.

Value of wild life was twofold, the Minister said, commercial fishing and taking of pelts being a considerable industry, and the value to the tourist industry being inestimable. Conservationists for