

3-Cent Gas Tax Increase

Continued from page 1. stood at \$20,210.97 as of March 31, 1956. Made up as follows: Gross Sinking Fund \$19,300,000.00 Investments \$ 4,163,924.44 Net Funded Debt \$15,136,075.56 Unfunded Debt \$3,072,316.32 Deposit Receipts \$2,052,619.32 Bank Overdrafts \$5,124,935.41

Total Net Debt \$20,210,977.89

CAPITAL ASSETS Through the Budget 1957 was increased by \$2,427,290.33 during the year, yet, at the same time we acquired Capital Assets consisting of Highways, Bridges and Road Machinery at a cost of \$3,144,728. Fixed Assets such as the Provincial Treatment Centre at Fallowood, a Sanatorium at the Provincial Fallowood Hospital, Provincial Infirmary, and Beach Grove property, etc. at a cost of \$402,897; and made Loans and Advances toward the promotion and development of industry, and community welfare purposes, totalling \$278,157. In addition, the Government contributed \$38,713 towards the construction of new hospital facilities; assisted rural schools to the amount of \$115,000; spent over \$300,000 on rural electrification, and assisted fisheries in development by another \$60,000, for a total expenditure of a capital nature of nearly four and one-half million.

It is gratifying to note that, notwithstanding the heavy demands placed upon the Government by our people for essential and, even non-essential services, the present debt of 20 million dollars burdened upon our people. A substantial portion of that debt has been the means of creating permanent and better still, revenue producing assets for the benefit of this and coming generations.

NEW SECURITIES The public debt operations, during the past fiscal year, included the redemption of the \$1,000,000—3 per cent, 7 year issue, matured on May 1, 1955, which matured on May 1, 1955. In addition, the Province issued new securities amounting to \$1,700,000.00 at a cost to the Province of 3.85 per cent. These debentures had a 3 1/2 per cent coupon attached and were issued for 10 years. The purpose of the issue was for raising the balance of the 3 per cent issue that matured on May 1, 1955 \$766,684, and capital expenditures on highways \$933,316.

The average interest rate paid by the Province on its funded debt was slightly higher at the year-end than it was at the beginning. At March 31, 1957, it was 3.3 per cent as compared with 3.2333 per cent on April 1, 1955.

CURRENT FISCAL YEAR I now come to a review of the public business for the current fiscal year April 1, 1956 to March 31, 1957.

The Interim Statement of Revenue and Expenditure consisting of nine months actual and three months forecast, tabled for your consideration, shows that a total sum of \$13,471,062, was expended on Current and Capital Accounts, including loans and advances made for fisheries and development purposes. In addition, the accounts show a transfer of \$120,700, to Sinking Fund Investments. Total Revenues amounted to \$11,116,989, leaving an overall deficit of \$1,793,823, after providing \$560,250 for Sinking Funds. This deficit compares very favourably with the \$1,340,041, originally estimated in the budget for the current year, and is attributed to a strict system of budgetary control in all departments. By exercising that control, together with the expanded revenues for the year, we anticipate a surplus on Current Account of \$1,199,523, after providing \$560,250 for debt retirement.

On Ordinary Current Account the Province expects to collect by March 31, 1957 \$9,924,677, or \$539,435, more than was anticipated. Our Ordinary Expenditures for the same period is forecast at \$8,735,154, up some \$150,000.

A summary of the Ordinary Revenues for the current year is as follows: From the Federal Government Subsidies \$ 647,182. Tax Rental Agreement 4,214,370

Subventions \$4,861,552 Total from Federal \$616,408 Government \$5,479,960 From Provincial Sources Taxes Income on Electricity \$ 50,000. Amusements 1,775,000. Liquor 96,000. Tobacco 278,000. Total \$2,556,000. Licenses, Permits and Fees Motor Vehicle Licenses \$ 550,000. Corporation Licenses 37,100. Fallowood, Infirmary, Beach Grove and Provincial Sanatorium Fees 182,400. Court Fees 20,800. Registry Offices Fees 9,500. Fish and Game Licenses 12,500. P.W.C. College Fees, etc. 11,172. Sundry Licenses, Permits and Fees 14,767. Temperance Act \$ 910,000. Fines and Penalties \$ 40,000. Sundry Revenues and Refunds, etc. \$ 310,478.

Total from Local Sources \$4,454,717. Total Ordinary Revenue \$9,924,677. ECONOMIC ACTIVITY Reflecting the increase of economic activity in the Province this current year, revenues have exceeded the estimates. It is expected that the Gasoline Tax revenue alone will reach \$1,775,000, compared with the estimate of \$1,650,000, and the actual revenue for the fiscal year 1955-56 of \$1,727,000. Revenue from 1956 registrations of motor vehicles will surpass the 1955 record year of \$503,000, by nearly \$50,000. The revenue under the Health Tax Act, 1 per cent tax on the sale of tobacco and liquor is expected to yield \$435,000, as compared with an estimate of \$395,000, and the actual for last year of \$432,000. Revenue from the sale of liquor is forecast at \$101,000, the same as for the fiscal year.

four times as much by our Folly. — and from these taxes the Commissioners can not see or deliver. This was the opinion of one of the great thinkers. It is an age old problem that is still seeking solution.

TAX RENTAL AGREEMENT An increase of \$533,608, is expected this fiscal year under the present Federal-Provincial Tax Rental Agreement which expires on March 31, 1957. This additional revenue is due to the substantial increase in the gross national product factor employed under the agreement to determine the annual amount of Canada's per capita grant to the provinces. This agreement expires this month and is replaced by the new federal-provincial tax-sharing arrangement. In the budget part of this speech I will remark on this proposal, and its method of calculation.

From the Interim Statement you will note that over 55 per cent of our revenue is fixed and subject to periodic agreements with the federal government, the remaining 45 per cent finds its main sources in the tax on gasoline, motor vehicle fees, and the sale of liquor. These major items of revenue are greatly variable. They are subject to the spending power of the people. This shows how vulnerable our provincial economy can be as a result of national and local conditions.

EXPENDITURES At the last session of the Legislature there was presented for your consideration and approval the Estimate of Expenditure for the present fiscal year which ends the 31st of this month. These estimates, as brought down, made provision for some increases in program costs. It was not anticipated, however, that a price rise would be so great and swift to increase in some cases over 25 per cent. Consequently, nearly all departments found it exceedingly difficult to remain within their appropriations and yet carry forward the programs as planned.

The Interim Statement shows that for the current year expenditures on Ordinary Account reaching \$8,735,154, as compared to the forecasted estimate of \$8,584,333, or \$150,821, more than we budgeted for last spring — less than 2 per cent. Very good administration control I should say.

During the current fiscal year we redeemed two issues which matured on August 1st for \$1,250,000 and \$1,000,000 respectively. The Sinking Fund accumulation for the two issues totalled \$823,375. The balance remaining \$1,426,625, will be refunded under authority of an Act passed in this legislature last March.

1957-58 BUDGET We now come to the budget for the forthcoming fiscal year. Before proceeding with the Estimates of Revenue and Expenditures I should like to comment on the general situation as it affects the provincial budget.

The presentation of a budget involving, at this time, an expenditure of over \$9 million on Current Account and providing for Capital and Other Extraordinary Expenditures of an additional \$6 million for a Province the size of ours, with a population of only 1,000,000 people, carries with it a tremendous responsibility. I personally think it is very urgent that we should be very generous in our grant of supply.

The preparation of such a budget was the cause of much concern. Even ten years ago, for the year ended 31st of March, 1947, the Treasurer then only had to deal with an Ordinary Expenditure of \$3,000,000, and a public debt of less than \$5 million, and a public debt to be serviced of only a little over 10 1/2 million dollars. Today, the debt is double; current operations almost 2 1/2 times what they were in 1946-47 and the provision for items of a capital and development nature increased over five times as much again.

TREMENDOUS EXPANSION That is but an indication of the problem we have to face today in the realm of public finance and the tremendous expansion of governmental functions taking place all over Canada, with the ever growing demands for increased public services.

The Government has endeavoured to maintain a sensible and equitable balance, not only between revenues and expenditures but between social services necessary for the welfare of our people today, and capital expenditures essential to the continued progress and development of our Province as a whole.

As intimated in my Budget Speech of a year ago, the Government's position is clear and definite. With due regard, at all times, for the welfare of the people as a whole, we propose to expand the annual budgetary provisions progressively and in keeping with the economic development of the Province. But, our people must be made to realize that all of this takes money and with our revenues at their peak we must call upon their support to strengthen the public treasury.

INCREASED APPROPRIATIONS In our budget proposals, you will find increased appropriations to facilitate and expand agriculture and fisheries; and to provide adequate transportation means to the producer, the distributor and to the consumer. You will find also increased appropriations for the conservation and regeneration of our basic resources for their development and for their more economic use.

Conscious of social requirements the budget proposals include continued financial assistance to municipalities; aid to the aged, the blind, social assistance to needy cases, mothers in receipt of allowances; aid to disabled persons; and increased appropriations for education, health, other welfare and institutional care.

While many of the appropriations provided, represent substantial increases over the amounts recommended a year ago, they are very necessary to the policy of expansion of our economy and the beneficial development of our natural resources. It is our view that expenditures necessary to encourage the continuation of this development are essential in the public interest and that the benefits from such development are passed on to the taxpayers of the Province as a whole.

ways were well under their appropriations. However, in Capital Account Highway Construction including Trans-Canada Highway, and Bridges, required an additional appropriation of \$600,000, all of which will be fully explained by the Minister of Highways in his review of the 1956 activities of his department. And finally, due to the serious storm in January of last year, the sleet and rain did much damage to our rural electrification installations. However, with good workmanship from line crews the damage was repaired with marked rapidity, and our 1956 program of rural electrification continued to advance towards its ultimate goal. It is forecast that the expenditure for 1956-57 will be in the vicinity of \$450,000.

FORECAST OF DEBT MARCH 31, 1957 On March 31, 1956 the net debt of the Province was \$20,261,011. To this we add the forecast expenditure including debt retirement for the fiscal year 1956-57 \$13,471,062. From the above we deduct the anticipated revenue for the same period 11,116,989. Deduct from the above sub-total the amount provided for Debt Retirement 560,250. And we have left a forecast net debt as of March 31, 1957 of \$22,054,834.

or an increase in liabilities for the present fiscal year of \$1,793,823, of which sum \$36,616, represents the net amount of loans and advances made during the year. Although these loans temporarily increase the debt for the year, nevertheless they are recoverable at a later date. DEBENTURE ACCOUNT The high rating which this province continues to enjoy in the financial market is evidenced by the fact that despite a vacillating market we recently sold \$2,500,000 of 3 1/2 per cent callable debentures at a cost of 5.17 per cent, which compares favourably with similar issues sold by the Provinces of Nova Scotia, New Brunswick and Ontario Hydro-Electric Guaranteed.

Unfortunately for us, the new Federal-Provincial Tax-Sharing Arrangements does not favour this Province and our 1957-58 tax and general subsidy remains at the same level as it was for the current fiscal year. If a more realistic attitude on the part of the Federal Government towards this Province, in relation to our fiscal needs, had been considered and a better financial arrangement approved, then we would have been in a better position to continue our efforts.

GASOLINE TAX As it is almost certain that it has been evident to nearly everyone that we could not continue to finance our enormously increased expenditure for highways without some upward boost in the gasoline tax. In preparing the revenue part of the budget it became immediately apparent that in the financing of our road program, and the financing of the increased expenditure of other government departments, the Provincial Treasurer would require revenues considerably in excess of those of any previous year. Even allowing for increases in yields from the present rates and from other sources of revenues, our revenue forecast indicates an additional \$2 million dollars required to meet all expenditures including the full road program. To attempt the raise gasoline tax revenues by the amount required to meet the estimated 1957-58 highway expenditure would involve the imposition of an unreasonably high tax and would indeed be likely to thwart the very purpose of the increased levy. In the light of all circumstances, however, it does seem reasonable to increase our gasoline tax rate slightly.

INCREASE ANNOUNCED Grave as the decision is to introduce new taxation or propose increases in existing taxes, the Government has accepted its responsibility. We propose to raise the tax on gasoline by three cents per gallon. This will bring the tax up to sixteen cents per gallon which will still be lower than the rate in Nova Scotia and equal to the rate in New Brunswick. We also propose to increase one cent of the increased tax to farmers and fishermen in accordance with the provisions of the Act.

Another change in our tax system is proposed, and I refer to the change-over in the method of collection, and remission of the tax on the sale of tobacco. Previously, the tax was collected by retailers, by the new method, the tax is to be remitted by the wholesaler. Previous misgivings in regard to the former method of remitting will be corrected. Every retailer does not have the necessary small commission, the revenue to the province will be up, and the public will have the satisfaction of knowing their full tax is reaching the Treasury.

Believe me, Mr. Speaker, no one relies on new taxation, or an increase in existing ones less than I do, but where it is imperative we have no option but to adopt such measures that we deem most compatible with our principles, our economic structure and with the needs of time.

1957-58 ESTIMATES I should now like to direct the attention of the honourable members to the Estimate of Revenue and Expenditure for the fiscal year ending March 31, 1958. Copies of the Estimates have been tabled and made available to each member of this Assembly.

The Estimates are summarized as follows: Revenue — Ordinary Account \$10,196,571. Capital Account \$3,004,400. Total \$13,200,971. Expenditure — Ordinary Account \$ 9,132,417. Capital Account 6,553,000. Total \$15,685,417.

As an excess of Expenditures, both Current and Capital over Revenue, is \$2,484,446. Included in the Expenditures is an amount for Debt Retirement of \$560,250, which is not included in the Revenue. This leaves a net deficit of \$1,924,196. In examining the estimated expenditures, by functions, honourable members will note an increase of \$141,425, in the amount appropriated for debt service charges. This increase is due primarily to the upward swing in interest rates and the change in the funded debt position during the year. A sum of \$109,150, is provided for a further debt retirement during the year under the schedule of annual appropriations for debt service issues at maturity.

The continued growth in the Department of Health has also reached its peak compatible with our present financial resources. The Minister of Health is requesting this year \$1,648,338 on current account, or some \$45,000 more than he forecasts for 1956-57. Except for the additional funds necessary to meet the rising cost of materials and supplies, the proposed requirements for the forthcoming year vary little from the appropriations approved last session. I might add here that health services under the federal-provincial health program are partly offset by reimbursements from the federal government. It is estimated that nearly a 1/2 million dollars will be forthcoming from the federal government under the health program including hospital construction. These contributions appear in the revenue section of the Estimates.

As can be seen from the printed Estimates, the major revenue changes for the coming year, as compared with the forecast for the current year, is as follows: Revenue from the federal government under the new tax sharing arrangements and subsidies legislation \$4,812,182. A drop of some \$50,000, being the adjustment made in the current year for 1955-56 recalculation of the tax rental payment to the Federal Government in connection with health services, etc. are estimated at \$314,362; subventions for Old Age Assistance, Blind Penions, Disabled Persons Allowances, Limestone, Vocational Schools, and Forestry Agreement will amount to another \$29,150. These subventions all hinge on our spending certain agreed amounts in order to qualify for the federal assistance so estimated. Gasoline Tax revenues are expected to yield, at least, \$2,025,000. It is estimated that the increase in tax will produce \$300,000 additional revenue, which amount is calculated in the above total for 1957-58.

Revenues from Motor Vehicle registrations will produce, at least, \$295,000, and again, may reach \$350,000, depending upon local economic conditions. There are, however, two revenues which we estimate will decrease in the coming year — the changes for the coming year, as compared with the forecast for the current year, is as follows: Revenue from the federal government under the new tax sharing arrangements and subsidies legislation \$4,812,182. A drop of some \$50,000, being the adjustment made in the current year for 1955-56 recalculation of the tax rental payment to the Federal Government in connection with health services, etc. are estimated at \$314,362; subventions for Old Age Assistance, Blind Penions, Disabled Persons Allowances, Limestone, Vocational Schools, and Forestry Agreement will amount to another \$29,150. These subventions all hinge on our spending certain agreed amounts in order to qualify for the federal assistance so estimated. Gasoline Tax revenues are expected to yield, at least, \$2,025,000.

Under the new Federal-Provincial Tax-Sharing Arrangements Act the Province will receive \$4,165,000, (plus our subsidies grants) for the past, present, and forthcoming fiscal years. In the budget calculations to bring its allotment up to the level of its present compensation. agreements been extended for the next five years. The result of this new position is that Prince Edward Island will receive a stabilization payment on the basis of the budget calculations to bring its allotment up to the level of its present compensation.

WELFARE AND LABOUR In the Department of Welfare and Labour the 1957-58 appropriations remain unchanged. The Minister is requesting a total vote of \$202,900 — \$210,000, for Old Age Assistance; \$45,000 for the Blind; \$125,000 for Allowances to Disabled persons; \$65,000 for social assistance, mothers allowances \$85,000; \$45,000 for Extra-Mural T.B. Assistance; Maintenance of Neglected Children \$35,000; and \$145,000 for the operation of the Scale House at Beach Grove. The maintenance of the funds are required for administration costs and sundry grants. The total reimbursement from the Government of Canada toward the first four mentioned services will amount to \$241,500.

EDUCATION The current expenditures proposed for the Department of Education total \$1,535,490, an additional \$90,000 over the forecast for the present fiscal year, mainly for teachers' salaries, inspection of schools, and transportation and tuition of rural school children. In addition, to the proposed expenditure of \$1,535,490, the Minister is requesting \$125,000 for rural and senior high school maintenance, making a grand total of \$1,660,490, as the Government's contribution toward education.

AGRICULTURE The Department of Agriculture requires for the new fiscal year a total of \$510,840. One new item appears, \$10,000 for the Potato Promotion Committee; Grants to Exhibitions are up \$800; Veterinary Assistance has been increased by \$3,000, and the vote for Artificial Insemination raised to \$22,000. The majority of other appropriations vary very little. Limestone continues to be bonused \$65,000 of which \$39,000 is recoverable from the Federal Government, and \$10,000 is again proposed for the operation of the Industrial Development Commission. On Capital Account the Minister of Agriculture is recommending a further \$200,000 for Industrial Establishments Promotion and Development.

SOME \$138,000 have been provided for the Industry, Natural Resources, and Fisheries, for the programs. HIGHWAY PROGRAM Perhaps no item in a provincial budget is of greater importance than the highway program. Indeed, today it is of vital interest to all our people in all parts of the province. It is an accepted fact that a good highway system is most essential to the expanding economy of a province and for that purpose we have been devoting a steadily increasing portion of the budget each year.

Our mileage and quality of roads have increased appreciably. The investments of the Province in its permanent and hard-surfaced roads, totalling over millions of dollars, cannot be overstated. It will be protected and our roads and bridges maintained in proper condition for an ever increasing traffic. The Department of Highways requires \$1,446,560, for road maintenance, snow removal, maintenance of ferries, wharves and bridges, etc., as well as \$5,346,000, for capital expenditures for highways and bridges including the Trans-Canada Highway projects. All of which will be fully explained by the Minister of Highways in his budget speech.

GRANTS TO MUNICIPALITIES Per capita grants to municipalities and incorporated villages are being continued and a sum of \$129,706, is requested for these purposes. The vote of \$50,000 for insurance on public buildings again includes, as it did last year, \$20,000 to be paid into a Special Reserve Fund intended eventually to enable us to be our own insurers. The Fund as at the end of March 1957 will be approximately \$110,000.

We are also proposing a further \$250,000, to be spent next year for the continuation of our Rural Electrification program. May I now direct your attention to the Capital Section of the Estimate. The estimated receipts for the year total \$2,863,400. (Federal contribution toward the cost of Hospital Construction \$176,000; for Highway Projects, including Trans-Canada Highway \$2,687,400.) Capital Expenditures, including Trans-Canada Highway, etc., and advances to public utilities, etc., and advanced promotion purposes recommended for the next fiscal year, are as follows: Highway Construction—Gravelled Roads; \$800,000; Permanent Roads; \$876,000; \$1,676,000. Culverts; \$40,000. Bridges; \$300,000. Federal-Provincial Highway Projects; \$324,000. Machinery; \$100,000. Beach Grove Staff Accommodations; \$25,000. Beach Grove Main Building; \$30,000. Beach Grove Boiler House; \$25,000. Fallowood Hospital — Nurses Aide Building \$140,000; Nurses Aide, \$35,000; Female Division, \$7,000; Male Division, \$8,000; Present Nurses' Home, \$4,000; Male Attendants Quarters, \$4,000; Landscaping New Treatment Centre, \$5,000; Laundry, \$5,000; Store Building, \$2,000. Paving Road Sanatorium, \$1,000. Staff Quarters, Occupations Therapy Sanatorium, \$5,000. Court House — Summerside, \$1,000. Queens County Jail, \$1,000. Provincial Building (Sprinkler), \$15,000. Prince of Wales College, \$3,000. Government Garage, Charlottetown, \$4,000; Summerside, \$5,000. Scale House — Borden, \$5,000. Health Centre, \$10,000. Industrial Establishments Promotion Loans, \$200,000. Assistance to Rural and Senior High Schools, \$125,000. Charlottetown Driving Park and Provincial Exhibition Association, \$5,000. Road and Purchase — Town Planning, \$1,000. Farm Improvement, \$5,000. Fisheries Development, \$2,000. General Hospitals Construction, \$265,000. Subsidy — Gulf and Northern Shipping Co. Ltd., \$20,000. Rural Electrification, \$250,000. Scale House — Borden, \$5,000. Extraordinary Expenditure; and Promotion and Development Loans of \$6,583,000.

Offsetting this Capital Expenditure will be Capital Receipts, referred to above, leaving a net Capital disbursement for the coming year of \$3,689,600. These expenditures we deem to be necessary for the proper maintenance of the public services of the Province. In the coming days the House will be considering all aspects of our planned expenditures and estimated revenues. I trust that the conclusions of both the honourable members and the people whom they represent will be that the Government has, with the limited resources at its disposal, chartered a course for the coming year that is prudently balanced between over-maintenance on the one hand, and extravagance on the other.

NEED FOR CAUTION After dealing with the federal-provincial tax-sharing agreement, reported elsewhere in today's issue, I have tried to place before the House and, through that avenue, to the people of Prince Edward Island a clear picture of the financial affairs of this Province. You will have noticed that, in doing this, I have stressed caution in time, in financial undertakings in its many aspects. I have spoken sincerely and frankly because I never did believe in smoothing over financial problems for political advantage. I have tried to point out, by figures and words, the road we are travelling with reference to the ever-mounting demands for newer and expanded services. We must ensure that they do not get out of hand. We can only expand as far as the financial ability of our people will warrant. "The welfare of our basic industry, Agriculture, is of great importance in the Province, making it directly a greater proportion of the total income of the people of this Province than any other branch of our economy. "I have always had faith in Prince Edward Island and I believe that, with all the force and enthusiasm which we are so ably achieving a marked improvement and in our cash incomes by speeding the flow of production and the securing of new and better outlets for the sale of our agricultural harvest. "I am persuaded that by continuing to follow progressive policies and to give sound administration to the people of this Province to the great destiny that is the heritage of the sturdy offspring of our noble forefathers. MAIN CONSIDERATIONS "I am confident, not only of the capacity of our economy to sustain the proposed budget, but also of the willingness of the people of the Province to accept it. Revenue is based upon a system that is as efficient and equitable as it is within our constitutional and financial powers to devise. Expenditures are based upon three pivotal considerations: first, the security and enhancement of the personal welfare and dignity of our people; second, the development of our productive resources; and third, the utmost efficiency in public spending devoted to these ends. "Because these considerations have now guided the preparation of the provincial budget for the past several years, such changes as are proposed are largely those which are necessary to carry out the program of the Minister of Highways in his budget speech. PER CAPITA GRANTS TO MUNICIPALITIES AND INCORPORATED VILLAGES ARE

an amount for Debt Retirement of \$669,400, so that the forecast results of next year's operation will be an increase in Debt of \$1,815,046. It is anticipated, therefore, that the net debt of the Province as at March 31, 1958 will be as follows: Forecast net debt \$22,054,834. Add: Estimated increase from April 1, 1957 to March 31, 1958 1,815,046. For a total of \$23,869,880. For the forthcoming fiscal year I am budgeting for a revenue on current account of \$10,196,571, or for an increase of \$901,329, over that estimated for the present current year.

The proposed estimated ordinary expenditures for the coming year total \$9,132,417, which, when compared with the estimates for the current year's total of \$8,584,333, show an increase of \$548,084. After providing for debt retirement of \$669,400, the anticipated surplus on current account is estimated at \$1,064,154. We have budgeted on the basis that the reasonably optimistic outlook forecast by business and government leaders for the calendar year 1957 will be fully realized.

ORDINARY REVENUE The imponderable factors in estimating the yield from pari-mutuel betting, the tax on gasoline consumption the amount of liquor to be sold in the coming year, the number and use of motor vehicles, the attendance at amusements, and the many other sources of revenue are developing. Our revenues have now reached their peak level, and in future gains, if they will be moderated. The time is here when further increases in expenditure cannot be accommodated within the dimensions of our present revenue. We are, therefore, obliged either to halt expenditure increases or obtain new sources of revenue. Our present requirements are very large and arrangements would be better to concentrate on essentials and leave to the future the things that we would like to do but cannot for the time being afford. That decision must be made now for if we want to go ahead all of us must be willing to contribute financially to the cost.

Under the new Federal-Provincial Tax-Sharing Arrangements Act the Province will receive \$4,165,000, (plus our subsidies grants) for the past, present, and forthcoming fiscal years. In the budget calculations to bring its allotment up to the level of its present compensation. agreements been extended for the next five years. The result of this new position is that Prince Edward Island will receive a stabilization payment on the basis of the budget calculations to bring its allotment up to the level of its present compensation.

WELFARE AND LABOUR In the Department of Welfare and Labour the 1957-58 appropriations remain unchanged. The Minister is requesting a total vote of \$202,900 — \$210,000, for Old Age Assistance; \$45,000 for the Blind; \$125,000 for Allowances to Disabled persons; \$65,000 for social assistance, mothers allowances \$85,000; \$45,000 for Extra-Mural T.B. Assistance; Maintenance of Neglected Children \$35,000; and \$145,000 for the operation of the Scale House at Beach Grove. The maintenance of the funds are required for administration costs and sundry grants. The total reimbursement from the Government of Canada toward the first four mentioned services will amount to \$241,500.

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Our mileage and quality of roads have increased appreciably. The investments of the Province in its permanent and hard-surfaced roads, totalling over millions of dollars, cannot be overstated. It will be protected and our roads and bridges maintained in proper condition for an ever increasing traffic. The Department of Highways requires \$1,446,560, for road maintenance, snow removal, maintenance of ferries, wharves and bridges, etc., as well as \$5,346,000, for capital expenditures for highways and bridges including the Trans-Canada Highway projects. All of which will be fully explained by the Minister of Highways in his budget speech.

GRANTS TO MUNICIPALITIES Per capita grants to municipalities and incorporated villages are being continued and a sum of \$129,706, is requested for these purposes. The vote of \$50,000 for insurance on public buildings again includes, as it did last year, \$20,000 to be paid into a Special Reserve Fund intended eventually to enable us to be our own insurers. The Fund as at the end of March 1957 will be approximately \$110,000.

We are also proposing a further \$250,000, to be spent next year for the continuation of our Rural Electrification program. May I now direct your attention to the Capital Section of the Estimate. The estimated receipts for the year total \$2,863,400. (Federal contribution toward the cost of Hospital Construction \$176,000; for Highway Projects, including Trans-Canada Highway \$2,687,400.) Capital Expenditures, including Trans-Canada Highway, etc., and advances to public utilities, etc., and advanced promotion purposes recommended for the next fiscal year, are as follows: Highway Construction—Gravelled Roads; \$800,000; Permanent Roads; \$876,000; \$1,676,000. Culverts; \$40,000. Bridges; \$300,000. Federal-Provincial Highway Projects; \$324,000. Machinery; \$100,000. Beach Grove Staff Accommodations; \$25,000. Beach Grove Main Building; \$30,000. Beach Grove Boiler House; \$25,000. Fallowood Hospital — Nurses Aide Building \$140,000; Nurses Aide, \$35,000; Female Division, \$7,000; Male Division, \$8,000; Present Nurses' Home, \$4,000; Male Attendants Quarters, \$4,000; Landscaping New Treatment Centre, \$5,000; Laundry, \$5,000; Store Building, \$2,000. Paving Road Sanatorium, \$1,000. Staff Quarters, Occupations Therapy Sanatorium, \$5,000. Court House — Summerside, \$1,000. Queens County Jail, \$1,000. Provincial Building (Sprinkler), \$15,000. Prince of Wales College, \$3,000. Government Garage, Charlottetown, \$4,000; Summerside, \$5,000. Scale House — Borden, \$5,000. Health Centre, \$10,000. Industrial Establishments Promotion Loans, \$200,000. Assistance to Rural and Senior High Schools, \$125,000. Charlottetown Driving Park and Provincial Exhibition Association, \$5,000. Road and Purchase — Town Planning, \$1,000. Farm Improvement, \$5,000. Fisheries Development, \$2,000. General Hospitals Construction, \$265,000. Subsidy — Gulf and Northern Shipping Co. Ltd., \$20,000. Rural Electrification, \$250,000. Scale House — Borden, \$5,000. Extraordinary Expenditure; and Promotion and Development Loans of \$6,583,000.

Offsetting this Capital Expenditure will be Capital Receipts, referred to above, leaving a net Capital disbursement for the coming year of \$3,689,600. These expenditures we deem to be necessary for the proper maintenance of the public services of the Province. In the coming days the House will be considering all aspects of our planned expenditures and estimated revenues. I trust that the conclusions of both the honourable members and the people whom they represent will be that the Government has, with the limited resources at its disposal, chartered a course for the coming year that is prudently balanced between over-maintenance on the one hand, and extravagance on the other.

As can be seen from the printed Estimates, the major revenue changes for the coming year, as compared with the forecast for the current year, is as follows: Revenue from the federal government under the new tax sharing arrangements and subsidies legislation \$4,812,182. A drop of some \$50,000, being the adjustment made in the current year for 1955-56 recalculation of the tax rental payment to the Federal Government in connection with health services, etc. are estimated at \$314,362; subventions for Old Age Assistance, Blind Penions, Disabled Persons Allowances, Limestone, Vocational Schools, and Forestry Agreement will amount to another \$29,150. These subventions all hinge on our spending certain agreed amounts in order to qualify for the federal assistance so estimated. Gasoline Tax revenues are expected to yield, at least, \$2,025,000. It is estimated that the increase in tax will produce \$300,000 additional revenue, which amount is calculated in the above total for 1957-58.

Revenues from Motor Vehicle registrations will produce, at least, \$295,000, and again, may reach \$350,000, depending upon local economic conditions. There are, however, two revenues which we estimate will decrease in the coming year — the changes for the coming year, as compared with the forecast for the current year, is as follows: Revenue from the federal government under the new tax sharing arrangements and subsidies legislation \$4,812,182. A drop of some \$50,000, being the adjustment made in the current year for 1955-56 recalculation of the tax rental payment to the Federal Government in connection with health services, etc. are estimated at \$314,362; subventions for Old Age Assistance, Blind Penions, Disabled Persons Allowances, Limestone, Vocational Schools, and Forestry Agreement will amount to another \$29,150. These subventions all hinge on our spending certain agreed amounts in order to qualify for the federal assistance so estimated. Gasoline Tax revenues are expected to yield, at least, \$2,025,000.

Under the new Federal-Provincial Tax-Sharing Arrangements Act the Province will receive \$4,165,000, (plus our subsidies grants) for the past, present, and forthcoming fiscal years. In the budget calculations to bring its allotment up to the level of its present compensation. agreements been extended for the next five years. The result of this new position is that Prince Edward Island will receive a stabilization payment on the basis of the budget calculations to bring its allotment up to the level of its present compensation.

WELFARE AND LABOUR In the Department of Welfare and Labour the 1957-58 appropriations remain unchanged. The Minister is requesting a total vote of \$202,900 — \$210,000, for Old Age Assistance; \$45,000 for the Blind; \$125,000 for Allowances to Disabled persons; \$65,000 for social assistance, mothers allowances \$85,000; \$45,000 for Extra-Mural T.B. Assistance; Maintenance of Neglected Children \$35,000; and \$145,000 for the operation of the Scale House at Beach Grove. The maintenance of the funds are required for administration costs and sundry grants.