

have good cause to be pleased. Any shortfall in our revenues for this reason would be welcome.

We have also been encouraged in our efforts to check the inflationary rise of costs and prices by the co-operative approach of the provincial governments. This was made clear, as honourable members will recall, at the conference of first ministers in mid-February. The consensus contained in the conference communique indicated the broad support of the provinces for the program of voluntary restraint, and their own intentions, so far as their particular circumstances permit, to apply the proposals of the Prices and Incomes Commission within their own jurisdictions.

• (8:20 p.m.)

There was, of course, continued emphasis at the conference on the financial pressures facing provinces and municipalities, as projected in the report of the Tax Structure Committee. Much of this emphasis was naturally focused upon the sharing of tax resources. However, there was also evident a deeper awareness of the fact that the demands upon governments at all levels for new and improved services of all kinds—and from all parts of society—are outrunning the growth of revenues. This is the fundamental problem responsible for financial pressures upon governments. It is also true that the brunt of these demands has fallen upon the provinces and municipalities. Their expenditures have been rising rapidly as a percentage of the gross national product during the past dozen years, while those of the federal government, excluding transfers to the provinces, have remained relatively constant. However, there was a clear recognition that in an environment of erosive inflation it is necessary to contain these rising demands. Consequently, even though the projections of provincial budgets for 1970-71 showed a very large increase in potential deficits, most of the provinces indicated their intentions to do everything possible to reduce or eliminate the projected increases. The Ontario government is a particularly significant case in point, having in mind both the size of its budget and the predominant position of the Ontario economy in the total national picture. If Ontario is successful in achieving its stated objective of a balanced budget, the fiscal position of provincial and municipal governments in the aggregate should not be markedly different in 1970-71 from the position achieved in 1969-70. This is an important element in the national struggle to beat inflation.

Fiscal Prospects

What are the prospects for our fiscal position, given our present programs? My colleague, the President of the Treasury Board (Mr. Drury), has tabled the estimates of expenditure for the coming fiscal year. On the basis of these estimates, and making some modest allowance for contingencies, as well as for lapses in appropriations, I am forecasting budgetary expenditures in 1970-71 of some \$12.9 billion. My colleague has drawn the attention of hon. members to the important part of the projected expenditure increase which consists of the items we share with the provinces and over whose magnitudes we do not have much control. Members are aware of our sustained effort to restrain the growth of expenditures over which we do have control, including those to which we attach a particularly high priority at the present time. We have given highest priority to such expenditures as those for regional expansion, for the development of bilingualism, for improvement of technology in industry and for improving the position of Indians and Eskimos.

Our budgetary revenues based on the existing tax law will be higher in 1970-71 than in the past year, as the economy continues to grow. But because growth will be slower our revenues will not be as buoyant as in the past year. The receipts from the corporate income tax will be particularly affected both by the lower levels of profits that we anticipate and by the fact that the revenues have already reflected most of the once-and-for-all gain from the speed-up of corporate tax payments. Moreover, as part of the program of restraint in price and cost increases we have postponed a number of increases in charges for government services, and the implementation of the air fares tax. We are forecasting revenues of \$13.2 billion. We expect the budgetary surplus to be \$300 million. This is to be compared with the surplus of \$355 million in the current fiscal year noted above.

Our net non-budgetary cash requirements, apart from those arising from exchange transactions, are expected in 1970-71 to be approximately \$775 million. Of this total, \$100 million will arise from the cash outlay for the wheat inventory reduction program. Leaving this wheat item out of account in each year, the increase has been from about \$650 million forecast last June for 1969-70 to about \$675 million now forecast for 1970-71.

In fact, however, the net amount required for those non-budgetary purposes in 1969-70