

A decorative banner with a series of pennants or flags strung across the top of the page, behind the title. The pennants are of various shapes and sizes, some solid black and some with patterns.

Saskatchewan

ECONOMIC REVIEW

The Provincial Budget (1)

Two issues of Saskatchewan Economic Review will be devoted to a discussion of the Province's finances. This issue deals with the income portion of the financial picture. It reviews the framework of provincial revenues, acknowledges the basic dependence of Saskatchewan revenue upon agriculture, cites the growing importance of extractive enterprise, explains the relationship of revenue items to economic factors and speculates on tomorrow's income. The next issue will deal with the expenditure side of the fiscal scene. In so doing, it will survey the shifts in spending patterns, assess achievements in relation to objectives and preview the program for the future.

YEAR after year the signs of spring reappear in the same sequence, with the provincial budget following the seed catalogue and foretelling the meadowlark. For six months of every twelve the budget winds its way from the nooks and crannies of departmental branches towards its final destination in the Legislature, with several stop-overs en route. Forming the first component parts of the next year's spending program are the departmental estimates, which express in fiscal terms the general policies and programs of the Government, with respect to both income and expenditure. These estimates are sent to the Budget Bureau for analysis and co-ordination into a preliminary document, to be studied in detail by the Treasury Board. In a series of consultations with officials of each department the various debits and credits are reviewed and the totals matched for size. Revised estimates receive Cabinet review and are then presented by the Provincial Treasurer to the Legislative Assembly for thorough scrutiny. Culminating the whole procedure is the Yea vote which

is usually recorded by the time the spring sun shines and seeding is in sight.

I. THE BASIC REVENUE MOLD

On March 4th another record-shattering budget of the Province of Saskatchewan was presented to the Legislature, forecasting *net* income and expenditure of about \$110.7 million in the coming year, including loans on capital account and investment in revenue-bearing enterprise. This sum represents the amount of money which must be raised by the province during the next twelve months, within the firm limits set by the constitutional apportionment of revenue sources and by the revenue-producing capacity of the provincial economy itself.

CONSTITUTIONAL FRAMEWORK

The Saskatchewan revenue structure, like that of other provinces, is based upon the British North America Act's assignment of powers to the federal and to the provincial governments. The Act specifically states that Provincial Legislatures may make laws relating to direct taxation, tavern and other licences, municipal institutions, property and civil rights, local matters, public lands and borrowing.

Before Confederation the most important revenue sources were customs and excise duties and the property tax, from which the provinces salvaged only the unpopular property tax by virtue of their restriction to "direct taxation within the province". Moreover, since all taxes were within the competence of the federal government, double taxation in the direct

tax field was not incompatible with the terms of the B.N.A. Act. The income tax at that time was still an untouched field, which only assumed importance much later, along with consumption levies on gasoline and general sales. The relative importance of these sources to the provinces has changed through the years, until today the real property tax is an exclusive tax field for local governments while the province's right to the income tax is rented to the federal government. As a result, Saskatchewan, along with other provinces, now places greater reliance upon consumption taxes.

Over the years, the interpretation of the provisions of the B.N.A. Act by the courts led to an accepted criterion of 'directness'. If the method by which a tax could be passed to another person was "an obscure and circuitous one" then the tax was considered to be direct. In practice, the direct sales tax, although levied on the ultimate purchaser, was usually collected from the seller who acted as an agent for the Crown for collection purposes. Carried a step further, this procedure raised an interesting problem in the case of the gasoline tax which was to be collected from the refineries as a matter of administrative convenience. Showing some ingenuity, the provincial acts are phrased to conform to the courts' definition of a direct tax, placing the levy squarely in the lap of the purchaser of gasoline and providing for collection under the regulations.

Intermittently through the years, in response to provincial cries for more money, the federal government has offered to sponsor an amendment to the B.N.A. Act permitting provincial imposition of an indirect sales tax. Such an amendment was proposed and hotly debated in Ottawa in 1936 and mooted again during the 1945-46 negotiations with the provinces. The most recent discussion of the matter came when the Dominion undertook in December, 1950, to sponsor such an amendment if unanimous agreement was secured from all the provinces—unanimity which was not achieved due to Quebec's non-support.

As well as being direct, provincial taxation must be "within the province"—a requirement which in practice places this geographical limit upon the persons or property taxed. While this aspect was of fundamental importance when income taxes, corporation taxes and succession duties were levied by the province, the problem of taxation beyond the provincial boundary has been eased by rental of these tax fields to the Dominion.

The "shop, saloon, tavern, auctioneer and other licences" specifically assigned to the provinces by the

B.N.A. Act are not considered to exclude other classes of licences. The provision is interpreted as conferring a general power which involves the right to impose licences for revenue as well as for regulatory purposes. It is this authority which permits motor vehicle licences; game, fish and fur permits; and the wide assortment of other provincial licences.

Although experience in liquor laws dates back at least to the Code of Hammurabi in 2100 B.C., the distribution of legislative powers in the B.N.A. Act failed to clarify the respective jurisdictions of the federal and provincial governments in respect to liquor traffic. Their respective claims were argued in the courts and by the turn of the century a series of Privy Council decisions had shed more light on the problem, establishing that the provinces had exclusive control of the retail trade in liquor and the licensing of shops and taverns. Further, the licensing of brewers and distillers was deemed to be within the competence of the provinces but not an exclusive privilege.

The right of a province to derive revenue from its lands and other natural resources stems in turn from constitutional provisions which confirm the provincial ownership of "all lands, mines, minerals and royalties", as well as "provincial public property". In addition the provinces are given exclusive jurisdiction over the "management and sale of the public lands and of timber and wood thereon". When the infant provinces of Saskatchewan and Alberta were admitted to the union in 1905, however, they found their powers severely restricted by the decision of the Federal Government to retain control of all natural resources. This situation came to an end in 1930 when ownership and control was transferred to the provinces, subject to all previous dispositions of assets and rights.

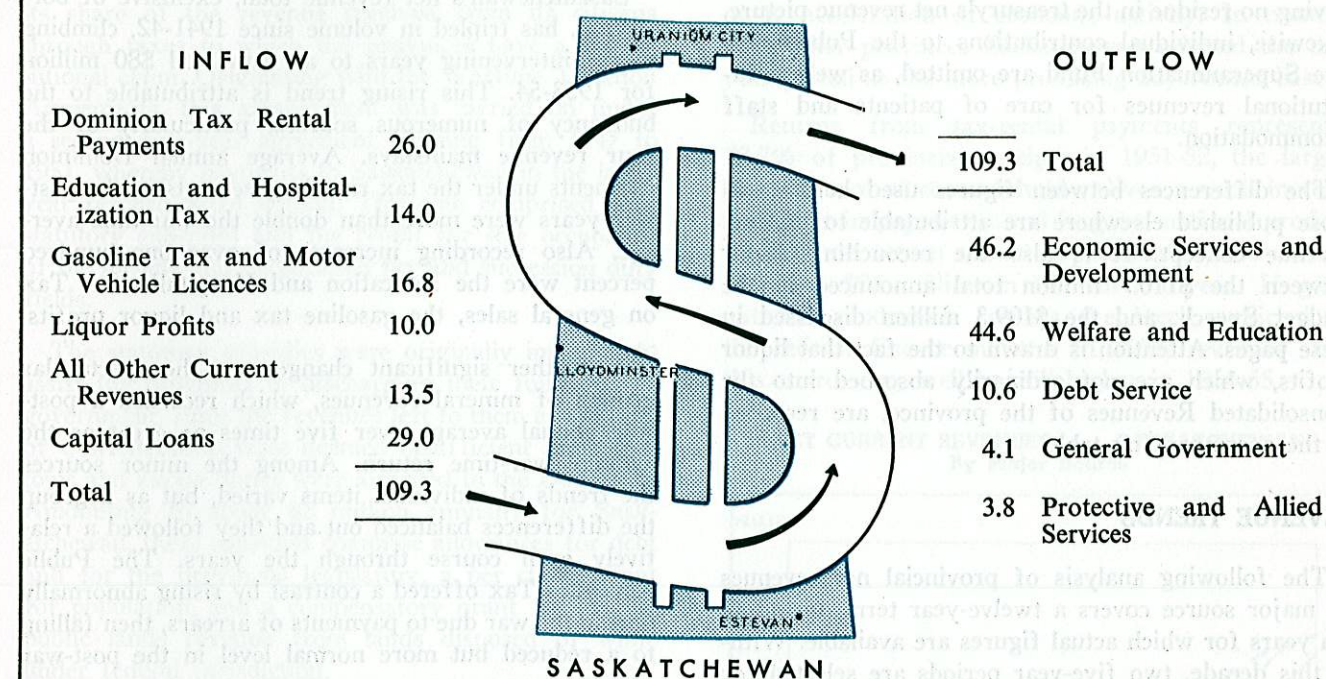
In addition to the funds raised from taxation, licensing and public domain, each province has authority to make its own laws with respect to borrowing. While there is no constitutional limit placed upon the amount which may be borrowed, there are practical restraints exerted by the availability of investment capital and the desirability of minimizing the continuing burden of debt charges. Once the level of current revenues has been established, the volume of borrowing becomes the final determinant as to whether the expenditure program has been pre-shrunk sufficiently to fit the available income.

II. THE ACTUAL SOURCES

Within the framework of constitutional limitations, the Province of Saskatchewan draws its revenues through a multitude of channels, varying in their

FLOW OF NET PROVINCIAL FUNDS

Estimates 1953-4 In Millions of Dollars



productive capacity from negligible to noteworthy sums. But although the full repertoire of revenue items is extensive, there are only a few outstanding contributors, the most important being Dominion tax-rental payments, consumption taxes on general sales and on gasoline, and profits from the sale of liquor. These four sources currently produce about three-quarters of the net provincial revenue. The remainder comes from motor vehicle licences, mineral resources and other privileges and permits, from sales and services, from fines and penalties, from investment, from repayment of advances and from new borrowing.

THE NET REVENUE CONCEPT

The funds which pass through the Provincial Treasury each year include substantial sums received from other jurisdictions, other funds and individuals, and in total make up gross revenues. During the years under review prior to 1949-50 Saskatchewan reported its fiscal operations on a gross basis, but since that time a net basis has been used. This merely means that certain items previously considered as revenue are now recorded in the Public Accounts as reimbursements of expenditure.

For purposes of the present discussion an adjustment to net gives comparable figures throughout.

Further, an attempt is made to adopt a more consistent net interpretation, using all the official deductions plus other adjustments deemed necessary for this purpose. Among the significant exclusions are receipts from other jurisdictions, usually described by such terms as shared costs, grants-in-aid and conditional grants. Federal government contributions include sums for old age assistance, certain agricultural, educational and health programs, and the Trans-Canada highway. Payments from other provinces are largely reimbursements of pensions paid to non-residents of Saskatchewan, while receipts from municipalities include repayments for shared social aid and for local road work carried out by provincial highway crews.

Also deducted are repayments received on Capital Account from Crown Corporations, as such sums, if retained by the corporations, would reduce the total investment advances required. Contributions from trust and other funds are considered only when the net result of their operations affects the treasury. This means that in the case of trust funds such as the School Lands Fund, only the transfer comprising interest on investment and land rentals is included. Similar treatment is accorded the Land Titles Assurance Fund and the Horned Cattle Purchases Trust Account, which are derived from payments by individuals and held for special uses.

By the same token, per capita taxes paid directly into the Saskatchewan Hospital Services Fund are excluded, since they are wholly used for hospital costs, leaving no residue in the treasury's net revenue picture. Likewise, individual contributions to the Public Service Superannuation Fund are omitted, as well as institutional revenues for care of patients and staff accommodation.

The differences between figures used herein and those published elsewhere are attributable to this net revenue concept. It is also the reconciling factor between the \$110.7 million total announced in the Budget Speech, and the \$109.3 million discussed in these pages. Attention is drawn to the fact that liquor profits, which are not ordinarily absorbed into the Consolidated Revenues of the province, are recorded in the accompanying table.

REVENUE TRENDS

The following analysis of provincial net revenues by major source covers a twelve-year term, including ten years for which actual figures are available. Within this decade, two five-year periods are selected for comparative purposes. The first, from 1941-42 to 1945-46, reflects war-time conditions, while the second, from 1947-48 to 1951-52, is referred to as the post-war period. The transitional year, 1946-47, is omitted since it contained only eleven months due to the change in the fiscal year-end from April 30 to March 31. For the year just ended and that just begun only estimates are presently available, but they serve to bring

the trend pattern up to date and to permit consideration of revenue expectations in the coming year.

Saskatchewan's net revenue total, exclusive of borrowing, has tripled in volume since 1941-42, climbing in the intervening years to an estimated \$80 million for 1953-54. This rising trend is attributable to the buoyancy of numerous sources, particularly of the four revenue mainstays. Average annual Dominion payments under the tax rental agreements in the post-war years were more than double the war-time average. Also recording increases of over one hundred percent were the Education and Hospitalization Tax on general sales, the gasoline tax and liquor profits.

A further significant change was the spectacular growth of mineral revenues, which recorded a post-war annual average over five times as great as the average war-time return. Among the minor sources the trends of individual items varied, but as a group the differences balanced out and they followed a relatively even course through the years. The Public Revenues Tax offered a contrast by rising abnormally during the war due to payments of arrears, then falling to a reduced but more normal level in the post-war period.

Dominion-Provincial Tax Agreement

Taxes on income received by individuals, by corporations and by heirs, payable prior to the war to two separate collectors, are now payable solely to the Receiver General of Canada—a title scrawled reluctantly on thousands of cheque blanks on or before

NET PROVINCIAL REVENUES BY SOURCE
In thousands of dollars

Source	War Years						Post-war Years						Estimates	
	1941-2	1942-3	1943-4	1944-5	1945-6	Average	1947-8	1948-9	1949-50	1950-1	1951-2	Average	1952-3	1953-4
Dominion Tax Rentals & Subsidies.....	5,020	7,751	7,893	7,264	8,459	7,277	15,442	16,111	17,304	19,009	20,385	17,650	25,571	26,034
Education & Hospitalization Tax.....	3,806	3,748	4,228	4,895	5,592	4,454	6,190	6,820	7,597	11,185	12,932	8,945	13,500	14,000
Gasoline Tax.....	3,758	3,397*	3,397*	3,397*	4,390	3,668	6,399	6,642	7,883	8,331	9,388	7,729	11,200	12,000
Motor Vehicle Licenses.....	2,733	1,477	2,792	2,380	1,926	2,262	3,084	3,343	3,521	3,802	4,599	3,670	4,600	4,800
Liquor Profits.....	2,406	2,984	3,336	3,776	6,605	3,822	7,921	8,301	8,891	8,229	9,546	8,577	10,000	10,000
Public Revenues Tax.....	1,787	2,052	3,215	3,091	2,158	2,461	1,871	1,856	1,736	1,766	1,860	1,818	1,800
Mineral Resources.....	112	210	252	232	914	344	1,445	1,552	1,774	1,859	2,880	1,902	3,140	4,728
Other Revenue from Minor Sources†.....	7,691	5,839	11,057	12,330	8,984	9,180	8,709	9,854	9,451	8,172	9,472	9,132	8,054	8,784
TOTAL.....	27,313	27,458	36,170	37,365	39,028	33,468	51,061	54,479	58,157	62,353	71,062	59,423	77,865	80,346

*—Includes Federal Payments re Gasoline Tax guarantee
1942-3\$ 496,023
1943-4 125,763
1944-5 10,952

†—See table on page 9, showing Minor Provincial Revenues by Source.

April 30th of each year. After acting as the collection agency for nine of Canada's ten provinces, the federal government pays annual sums to each in return for its share of the revenue received from its citizens through taxes to which the provinces have a constitutional claim. Originating with the Wartime Taxation Agreements, this arrangement was carried on under a second five-year agreement running from 1947 to 1951, whereby payments to Saskatchewan in the latter year reached \$20.4 million. This sum comprised both statutory subsidies and the rental for sole occupancy of the income and corporation tax and succession duty fields.

The statutory subsidies were originally intended to assist the provinces in discharging their functions of government, since the revenues left to them at the time of Confederation were deemed insufficient after customs and excise duties were awarded to the Dominion. Amounting to about \$2 million annually for Saskatchewan, these subsidies comprise allowances for debt and for the provincial legislature, a per capita grant for population, and a compensatory grant for loss of public lands revenue from lands disposed of while under federal jurisdiction.

The Tax Agreement for the years 1947 to 1951 provided for a guaranteed minimum annual payment and for annual adjustments based on population and production. The guaranteed minimum represented a new stabilizing force in the province's income scene, assuring at least \$15 million annually from this source. This figure included the \$2 million 1947 statutory subsidy plus \$13 million derived from a \$15 per capita sum based on 1942 population. Each year payments were adjusted to take into account increases in population and in the gross national product per capita over the base year 1942. Unprecedented expansion in the Canadian economy during the five years covered by the agreement resulted in actual payments consistently higher than the guarantee, growing from \$15.4 million in 1947-48 to \$20.4 million in 1951-52.

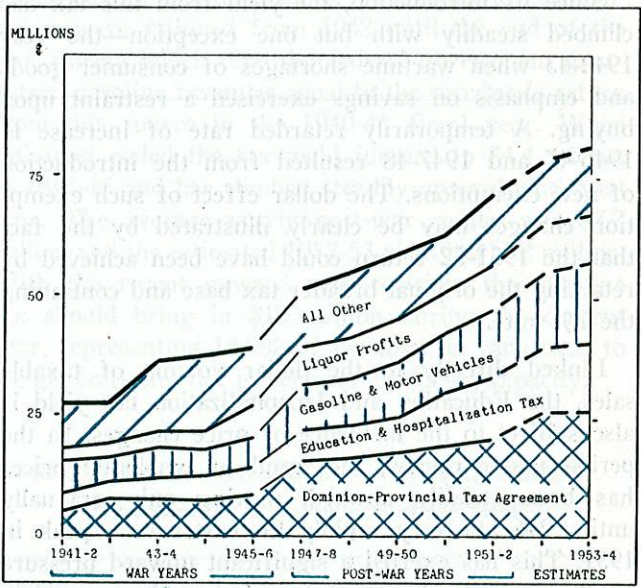
Now in operation and effective until 1956 is the 1952 Tax Rental Agreement,¹ which guarantees a minimum payment of \$20 million each year. Again, adjustments will be made annually to keep in tune with current population and to echo increases in the value of production as measured by changes in the gross national product from the base year 1948. But instead of basing these adjustments on the three years prior to the year of payment, each province had the option of selecting either the previous two years or the

¹ For background see "The New Tax Rental Agreement", *Saskatchewan Economic Review*, June, 1952.

previous one year as the basis for adjustment. The use of a shorter period permits the payments to react with greater sensitivity to rapid population growth or to acceleration of economic activity. In common with other provinces Saskatchewan selected the one-year period as the more promising adjustment base.

Returns from tax-rental payments represented 28.7% of provincial receipts in 1951-52, the largest single source of current funds. Given a small increase each year in population and in gross national product, the 1952-53 return should approximate \$25.6 million, rising to \$26 million in the current year. If gross national production reaches the level predicted by the federal finance minister in 1953, revenues from this source may well be still higher in 1954-55.

NET CURRENT REVENUES — SASKATCHEWAN
By Major Source



Education and Hospitalization Tax

Purchases of cars, golf balls, blue jeans, chrysanthemums, refrigerators and aspirin all helped to boost provincial retail sales over the \$700 million mark in 1952. Applying to many of these items, the Education and Hospitalization Tax skimmed off an estimated \$13.5 million in 1952-53, despite the fact that the tax-free list is long.

First levied on retail sales in August, 1937, at a rate of 2%, the Education Tax specified certain exemptions, including fuel and farm machinery but only such limited food staples as bread, milk products and fresh meat. Significant changes were made in October, 1946, to exempt all food and drink for human consumption (except liquors) and again in April, 1947,

to free essential drugs and laundry needs. The result of this broadened exemption base was to sharply reduce the regressive qualities inherent in a consumption tax, by tending to direct the larger share of the burden towards persons with sufficient income to permit spending on such items as automobiles and other durable consumer goods.

By 1950 soaring hospital costs increased expenditure under the province's hospital insurance program and required either an increase in the per capita hospital tax or assistance from other sources. To meet this need the general sales tax was raised to 3%, since with its new exemptions it was deemed less regressive than a flat rate per person regardless of ability to pay. The added cent on every dollar is used purely for hospital purposes, while the original two cents is still devoted to education.

Since its introduction, the yield from this tax has climbed steadily with but one exception—the year 1942-43 when wartime shortages of consumer goods and emphasis on savings exercised a restraint upon buying. A temporarily retarded rate of increase in 1946-47 and 1947-48 resulted from the introduction of new exemptions. The dollar effect of such exemption changes may be clearly illustrated by the fact that the 1951-52 return could have been achieved by retaining the original broader tax base and continuing the 2% rate.

Linked directly to the dollar volume of taxable sales, the Education and Hospitalization tax yield is also subject to the influence of price changes. In the period under review, the trend of wholesale prices has been steadily upward, moving only gradually until 1946 but very rapidly thereafter to a peak in 1951. This has exerted a significant upward pressure on the general sales tax return but at the same time has exercised an equal upward push on a broader segment of government costs.

Personal income is another factor of fundamental importance. Since the early 'thirties Saskatchewan personal income has shown a swiftly rising trend, partially obscured by violent year-to-year fluctuations. The isolated drops in personal income in 1943, 1945 and 1950 failed to halt the steady climb of retail sales to over \$600 million by 1951. Thus it would appear that it is the cumulative effect of the income level, rather than the annual total, which exerts the greater influence upon retail sales. On this basis, a continued decline in personal income of two years or more in duration would be expected to have a retarding effect upon the sales pattern. But apart from recognizing this initial postponement period before the reaction

begins, little can be said since no measuring rod is currently available with which to estimate either the degree to which sales might be slowed down or the total time lag which might occur.

Returns from the Education and Hospitalization tax doubled from the war to post-war period, with broadened exemptions being offset by the rate increase. The \$4.5 million annual wartime average grew to \$8.9 million in the later five-year period and the tax is expected to produce \$14 million during the current year. These dollar returns represent only small increases ratio-wise, to 15.5% of the total in the post-war period and to 17.4% in 1953-54. At this level the tax ranks second in importance only to Dominion payments and is the pace-setter among taxes levied by the province.

Motor Vehicle Licences

The twenty-two horseless carriages registered in 1906 in the year-old province of Saskatchewan have multiplied by 10,000 to produce over 220,000 motor vehicles carrying "Wheat Province" plates today. The pattern of this change showed a steady rise in registrations until 1929, a sudden drop followed by gradual recovery during the 'thirties, then a wartime ebb as new car, gasoline, tire and tube restrictions took their toll, and finally a strong post-war climb. Today Saskatchewan can claim to be the "driving" province of Canada, with only 3.3 persons for every motor vehicle, the lowest person-vehicle ratio of any Canadian province.

The predominantly rural nature of the province makes motor vehicles essential to move produce to shipping points or markets and to carry the family to nearby towns for shopping or social activities. This dependence on vehicle transportation to reduce the isolation of a widely scattered population leads unfailingly to the constant bellow of the Hon. Augustus E. Windheaver in the saga of Sarah Binks²—"... and what about the roads, I say!". Extending over four hundred miles from east to west and over five hundred and fifty miles north from the International Boundary to Lac la Ronge, the highway system for which the province takes sole responsibility comprises about 8,200 miles, more than double the provincial highway mileage in the adjoining provinces. Construction work on these highways, together with continuing maintenance costs, requires large expenditures which are met in part by receipts from motor vehicle licence fees and the gasoline tax.

² Paul Hiebert, *Sarah Binks (the Sweet Songstress of Saskatchewan)*.

Licences are required for drivers, for dealers and for the various vehicle types such as passenger cars, trucks and trailers, buses and liveries. Although numerous revisions have been made within categories during the past decade, increases in the cost of equivalent privileges for the same vehicle type have been few. The fee structure is roughly comparable to those of other provinces, with the important exception of farm trucks which in Saskatchewan may haul loads for their neighbors without a commercial licence.

Wartime revenues from vehicle licences averaged only \$2.3 million annually, showing the effects of limited new car production and rationing of new tires and tubes. With the artificial restraints removed, the growing cult of the open road was responsible for higher returns, inducing an average annual post-war yield of \$3.7 million. In line with the steady rise from \$3.1 million in 1947-48 to \$4.6 million in 1951-52, the return in the current year is expected to reach \$4.8 million, representing 6% of net provincial revenue.

Gasoline Tax

Returns from the Gasoline Tax reflect many motoring miles covered in good weather and bad by the diverse vehicles of our day, from the heavy gas-guzzling trucks and buses down to the light English cars with the camel-like quality of being able to travel long distances without a drink. Since gasoline consumption depends largely upon the vehicle weight and the mileage driven, it is a reasonably accurate measure of wear and tear on the roadway and the tax on gasoline can therefore be considered a fair and equitable means of paying for highway costs.

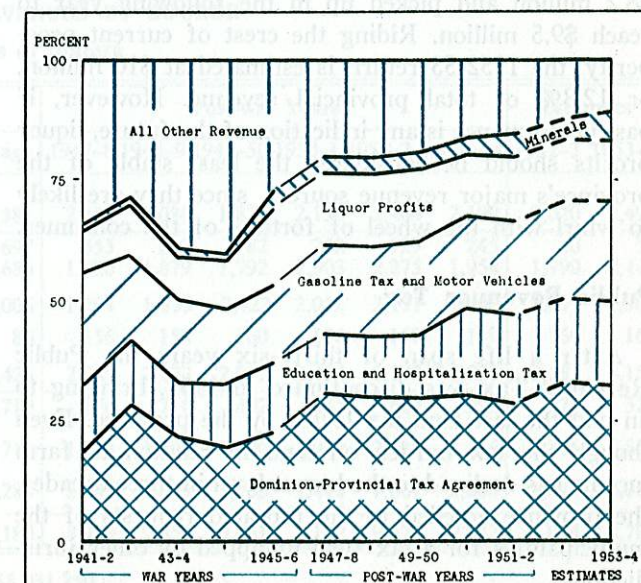
The tax applies to all gasoline used for highway travel but not to fuel petroleum products used in farm machinery, for heating or in industry. Until April 1941 the consumer paid a seven-cent-per-gallon gasoline levy. Then a federal tax of three cents was added and later a provincial one-cent increase brought the total to eleven cents. When the federal government withdrew its levy in 1947, the province substituted only two cents, giving the consumer the benefit of a one-cent reduction. More recently, unprecedented highway spending made it necessary to add the extra cent on April 1, 1953, bringing the current tax to eleven cents. These rate changes have been partially responsible for higher returns, but even discounting their effect a steady rise in revenue has been apparent since 1942-43, reflecting greater sales of gasoline.

Over a long-term period gasoline sales have moved with personal income, although consumption has been

more responsive to an upswing in income than to a downswing. Today, with growing dependence on commercial trucking, the passing of the horse and wagon as an alternative means of transportation, and the appearance of the drive-in theatre against the prairie skyline on the outskirts of small towns as well as cities, gasoline sales would probably be affected much less than in the past by a personal income decline. It would seem then that the gasoline tax combines responsiveness to an income rise with resistance to an income drop, two most desirable characteristics of any revenue producer.

Wartime returns from this source were abnormally low due to conservation of gasoline and fuel oil for defence use. New installations of fuel pumps for retail sales were stopped, delivery of fuel to service stations was placed on a quota system and hours of sale were restricted. In addition, motor fuel sales to the consumer were rationed from 1942 until the end of the war, during which time the federal government guaranteed gasoline revenues equal to the province's return from this source in the 1940-41 fiscal year. When rationing ended the tax yield jumped to \$4.4 million in 1945-46 and has climbed steadily upward since that time. The average yearly post-war return was \$7.7 million and the estimated 1952-53 yield is \$11.2 million. With the recent upward rate revision, the gasoline tax should bring in \$12 million during the current year, representing 14.9% of the total, to rank next to the general sales tax in revenue-producing capacity.

NET CURRENT REVENUES — SASKATCHEWAN
By source as a percentage of the total



Liquor Profits

In the early days of the west, fur traders pocketed the gains from bartering fire-water for furs, and later the illicit rum-runners of prohibition days were the profiteers. Today liquor sales are under government control and the returns, which topped the \$9 million mark in 1951-52, help to finance useful provincial programs.

During the war, demands for industrial alcohol to produce synthetic rubber and munitions required restrictions on the sale of alcoholic beverages. The federal government prohibited production and advertising and limited import and sale of distilled spirits for beverages, and the Provincial Liquor Boards then took steps to conserve their stocks and to ensure a more even distribution of the available supplies. These restrictions apparently had a retarding effect initially in Saskatchewan but the influx of a floating wartime population brought sales increases and annual profits rose from \$2.4 million to \$6.6 million during the war years. As a result the federal government guarantee of provincial liquor revenue at a level equal to that in the year prior to July 1, 1942, brought nary a penny to Saskatchewan.

In addition to these artificial influences, liquor purchases have been affected by changes in personal income. Consumption dropped from 1929 to 1931, fluctuated on the rise to new peaks by 1944 and followed a similar pattern after 1948. This close association is evident in revenues during the post-war years when liquor profits rose from \$7.9 million in 1947-48 to \$8.9 million in 1949-50, then dropped to \$8.2 million and picked up in the following year to reach \$9.5 million. Riding the crest of current prosperity, the 1952-53 return is estimated at \$10 million, or 12.8% of total provincial revenue. However, if past performance is any indication of the future, liquor profits should be considered the least stable of the province's major revenue sources, since they are likely to whirl with the wheel of fortune of the consumer.

Public Revenues Tax

After a life span of thirty-six years the Public Revenues Tax was discontinued in 1952, bringing to an end the last land tax levied by the province. Even though the tax burden on land in relation to farm income has declined to the lowest level in three decades, the province acceded to the repeated requests of the municipalities for a tax field untapped by other jurisdictions.

This two-mill levy on the assessed value of land in rural municipalities and on the equalized land assessment in urban municipalities produced an annual average yield of \$2.5 million during the war years. An abnormally high figure, it was inflated by payments of accumulated arrears during the years 1942-43 to 1945-46, when collections consistently exceeded the current levy. By the end of the war the arrears had been whittled down so that the post-war average return was just \$1.8 million, or 3.1% of the total. In 1952-53 the tax is expected to make its final contribution at a similar level, while in the future local jurisdictions will reap the benefit of the tax repeal, being free to channel this \$1.8 million into municipal government treasuries.

Mineral Resources

Copper, zinc, gold, petroleum, sodium sulphate, coal, salt, uranium and potash all contributed to the \$2.9 million from minerals which accounted for 4% of the revenue kitty in 1951-52. Taking the form of fees, rentals, taxes and royalties, the greatest revenues came from quartz mining and petroleum. Quartz mining has contributed largely through royalty payments, returning \$1.2 million in 1952-53. Meanwhile petroleum recorded a rapid rise in fees and rentals from \$21,800 in 1947-48 to \$1.2 million in 1952-53 and promises to be a major royalty producer a well. Although other minerals record less individually, each has been exhibiting the same signs of growth.

While relatively small in volume, the growth of mineral revenues has been tremendous, with a post-war annual average of \$1.9 million compared to only \$0.3 million in the war years. With exploration at fever pitch, this increase is likely to quicken its pace, cantering easily to \$3.1 million in 1952-53 and reaching \$4.7 million in stride this year. The latter figure will represent a new high from mineral resources of 5.9% of the province's current receipts.

Minor Sources

While the seven largest sources were producing 87% of the total in 1951-52, the Lilliputians of revenue-land were busy with the remaining 13%. Turnstiles were kept clicking by returns from such varied sources as shooting permits, theatre licences, school examination fees, the pari-mutuels tax, boiler inspection fees, fines for highway traffic infractions, sales of equipment and interest on investment, to mention only a few. For ease of analysis, these may be placed in family groups, recognizable by their similar features and answering to the following names: privileges,

licences and permits; sales, services and fees; fines and penalties; investment; and all other revenues.

Since 1941-42 these minor sources have recorded total annual returns ranging as high as 33% and as low as 13% of the province's revenue. The \$9 million annual average during the war years was eased upward by high yields in 1943-44 and in 1944-45, which were due primarily to unusually large repayments of farm loans. In the post-war period yearly receipts again fluctuated around the \$9 million level. While relatively stable in dollar volume, the significance of these minor sources in the total picture waned, representing only 15% of the total in the post-war years compared with 27% in the previous period. Within the minor source total, the different trend patterns woven by various groups may be traced in the table below. Space does not permit a topical trend analysis, but a discussion of group components based solely upon revenue received in the 1951-52 fiscal year will serve to illustrate the diversity of these smaller sources.

The first group, known as *Privileges, Licences and Permits*, represents charges for such privileges as permission to deplete a specified resource or to carry on certain businesses in the province. Since such levies are similar in nature to taxation revenues, the residual tax returns of \$129,000 are also considered here. Within this sum, the largest single tax contributor is the amusement tax on pari-mutuel betting. A return of more magnitude is the \$2.3 million extracted from privileges and permits. Here public domain takes the lead, with forestry contributing \$742,000, game and fur \$471,000, and lands and water resources \$495,000.

A further \$333,000 stems from business privileges in the form of insurance company licences, fees for incorporation and registration of companies and licences for theatres and projectionists, to cite but a few.

Fees for services dominate the *Sales, Services and Fees* scene, flowing quite naturally through the service departments of government. The proceeds of \$2.1 million comprise \$658,000 from the Attorney General's Department for land registration fees and a further \$116,000 from collections in registrars' offices. Additional salient sums include Labour's \$236,000 from electrical inspection and licensing fees, censorship fees and inspection of steam boilers and pressure vessels; Agriculture's \$165,000 from seed cleaning, testing services and sales of agricultural products and livestock; Public Works' \$137,000 from real property sales; and Education's \$110,000 from teaching services in the Correspondence School and from students' fees in the normal schools.

Fines and Penalties are meagre producers, registering a return of only \$168,000 in 1951-52. Within this total, infractions of liquor and of highway traffic laws were the most remunerative sources.

The *Investment* group embraces interest on investment, together with contributions from government enterprises and from other funds. Most of the Interest portion of \$623,000 is channelled through the Treasury and over one-third represents interest on farm loans. Some \$600,000 came from profits on such Crown Corporation activities as timber marketing, insurance, transportation and sodium sulphate production, the

MINOR PROVINCIAL REVENUES BY SOURCE
In thousands of dollars

Source	War Years						Post-war Years						Estimates	
	1941-2	1942-3	1943-4	1944-5	1945-6	Average	1947-8	1948-9	1949-50	1950-1	1951-2	Average	1952-3	1953-4
Privileges, Licenses & Permits.....	3,180	1,457	2,367	2,540	2,359	2,381	2,475	2,086	1,874	2,154	2,404	2,199	2,030	2,490
Minor Taxes.....	1,871	16	420	494	684	697	555	207	82	252	129	245	40	50
Privileges & Permits.....	1,309	1,441	1,947	2,046	1,675	1,684	1,920	1,879	1,792	1,903	2,275	1,954	1,990	2,440
Sales, Services & Fees.....	711	749	1,028	1,278	1,264	1,006	1,294	1,833	2,722	2,012	2,131	1,998	1,697	1,909
Fines & Penalties.....	92	72	75	79	113	86	156	153	160	156	168	159	164	161
Investment.....	1,855	1,867	3,205	3,018	2,177	2,424	2,089	2,923	2,992	2,434	3,102	2,708	2,587	3,157
Interest.....	1,417	1,425	2,221	1,823	1,663	1,710	676	716	492	455	623	592	371	320
Govt. Enterprises and Other Funds.....	438	442	984	1,195	514	714	1,413	2,207	2,500	1,979	2,479	2,116	2,216	2,837
All Other	1,853	1,694	4,382	5,415	3,071	3,283	2,695	2,859	1,703	1,416	1,667	2,068	1,576	1,066
TOTAL	7,691	5,839	11,057	12,330	8,984	9,180	8,709*	9,854	9,451	8,172	9,472	9,132	8,054	8,784

*—Excludes Natural Resources Settlement of \$8,031,250.

largest part of such profits being retained for direct reinvestment in capital expansion. Further major contributions were the earnings of three special funds descriptively titled the Horned Cattle Purchases Trust Account, the Land Titles Assurance Fund and the School Lands Fund. The first owes its solvency to a two-dollar penalty levy on each head of horned cattle sold, with the money so received being devoted solely to livestock improvement policies. The second is replenished from a small charge on all land transfers to cover uncollectable land registration fees, but any excess in the fund over \$75,000 may be transferred to consolidated revenues. The third special fund, School Lands, contributed \$1.3 million for educational purposes, half from interest on the \$21 million in the Fund and half from rentals and leases on the two million acres of school lands still held by the province.

Repayments of Advances make up the major segment of the residual *All Other* group, with farm loans, relief accounts, Drainage District debentures and school loans combining to bring forth repayments of well over a million dollars.

Capital Financing

While it is possible to trace a fairly orderly, rising trend in the net revenue of the province over the past decade, the first impression of the capital financing picture for the same period is its extreme irregularity. This is due, of course, to the inherent nature of capital borrowing. A second impression is the significant change which has taken place both in the level of borrowing and the end purpose for which the loans have been contracted.

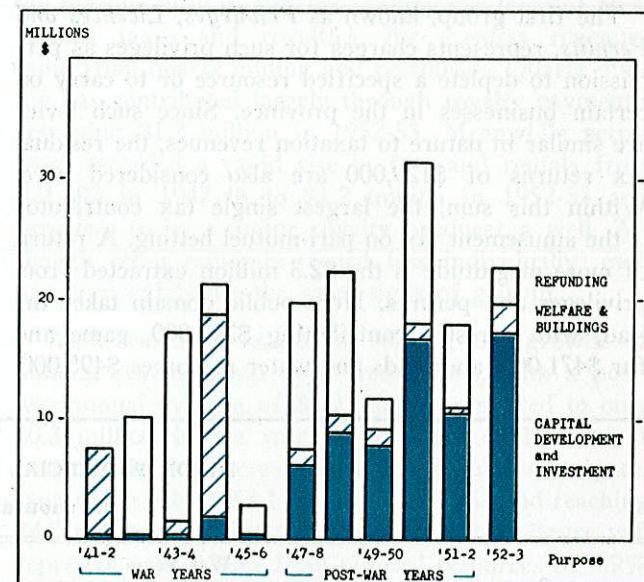
In any one year a large part of the new borrowing from external sources is required in order to bring into balance the opposing weights of expenditure for all purposes and the revenue available. The balancing item itself reflects all the inherent variability of these two elements. But it is not simply a passive, pliable element. It can be adjusted only within certain limits, particularly since both the volume and the terms of the borrowing are directly subject to many diverse and sensitive influences acting upon the external capital markets. Not the least of these is the credit standing of the borrower.

Whether large or small, annual loans rest upon the belief that sooner or later revenues will expand sufficiently to pay them off. In recent years, however, a large part of the new capital borrowing has been required simply for refunding operations, to meet maturing obligations. These maturities are the result

of loan transactions entered into as a result of different needs experienced anywhere from one to thirty years in the past. Their cumulative effects, as they come due from year to year, are bound to be highly variable.

During the two five-year periods under review, total new capital borrowing, including both funded debt and treasury bills, has fluctuated from a low of \$2.8 million in 1945-46 to a high of \$31.7 million in 1950-51. The average yearly amount borrowed increased substantially in the second period as compared with the first, from \$11.8 million to \$20.9 million, due in part to the rise in refunding requirements from a yearly average of \$6.2 million to \$9.3 million. But by far the larger part of the increase

CAPITAL BORROWING — SASKATCHEWAN
By General Purpose



resulted from greatly expanded programs of capital development. In the early period the liquidation of seed grain indebtedness absorbed almost half of the capital loans which, together with refunding, left only \$0.5 million annually for investment. In the later period, new borrowing for agriculture, natural resources, highways and revenue-bearing commercial enterprises averaged almost \$10.7 million yearly. In the fiscal year just ended, loans for these purposes rose to \$17.4 million, and program intentions for 1953-54 indicate the need for continued reliance upon the external capital markets for further capital funds.

III. TOMORROW'S INCOME

The many revenue sources, being of different types, are naturally affected by a variety of factors—some by personal income, others by the results of resource exploration, and still others by production achievements and the level of investment returns.

In Saskatchewan personal income is dependent largely upon agriculture—both the grain produced and the markets for the harvest. Although expanding agricultural programs of irrigation, seed improvement and scientific farm practice do assist in reducing the effects of climatic conditions, it is nevertheless true that nature remains the important factor. Similarly, the marketing problem is largely beyond the control of the province and is dependent upon external conditions. While it may be unrealistic to suppose that the last two peak crop years which have brought record-breaking gross production values will form the consistent pattern for the future, a more conservative anticipation of an agricultural potential at an average level such as the 1949 crop year would still suggest relatively high personal income.

Two of the major revenue sources, namely liquor profits and the general sales tax, are influenced directly by the movement and actual volume of personal income. Based on sales of a luxury item, liquor profits have reacted fairly quickly in the past to declines in personal income, while the tax on retail sales has shown a time lag of at least a year before echoing the change, indicating a marked reluctance to decrease consumption and a persistent optimism undimmed by short-term drops in income. Thus a poor 1953 crop year could be expected to affect liquor profits first, in the latter part of 1953-54, but to have little or no effect on the Education and Hospitalization Tax unless followed by a second failure in 1954, which might result in a drop in returns in the latter part of 1954-55.

Offsetting the possibility of declines in these two items is the likelihood of more buoyant revenues from Dominion tax rental payments, mineral resources and government enterprises. Dominion payments offer a degree of stability not previously present, insuring against drastic drops while leaving the door open to receive increased sums as provincial population grows or as the national economy goes on to new production heights. Accounting for an estimated \$26 million in 1953-54 and guaranteeing at least \$20 million annually until 1956, this is a significant stabilizing factor in the provincial revenue scene.

Mineral resources are creating their own boom and promise to become an important independent source of income. As forestry is developed more fully it too may be counted on for increasing sums, while conservation programs ensure the continued health of game, fur and fish resources. Meanwhile, government enterprises have been gradually establishing themselves on a firmer footing and look forward to a continuation of surpluses from successful operations.

The borrowing picture provides further support on the credit side of the financial future, as a result of reduction of dead-weight debt and the funnelling of borrowed funds to an ever-increasing extent into such revenue-producing physical assets as production and distribution facilities for power and extensions to the telephone system. The provision in the current budget for establishing a three-percent sinking fund not only on new borrowing but on all the outstanding bonded debt of the province should greatly assist in debt retirement in future years. Moreover, the "A" credit rating recently given to Saskatchewan's bonds indicates the progress made towards sound financial strength and promises a wider market for future bond issues.

Looking beyond the current fiscal year, an optimistic outlook for all phases of the economy in 1953 and 1954 implies provincial net revenue of about \$84 million, exclusive of borrowing, in 1954-55. A less happy view of agricultural probabilities suggests the prospect of a limited drop in production in the next two crop years. This could be offset in part, however, by increased returns from other segments of the economy to give a net result in 1954-55 hovering around the \$80 million mark. In weighing the many factors which affect the future it becomes apparent that the revenue structure today is characterized by greater diversity and stability than was the case a decade ago, enabling it to face temporary agricultural setbacks with greater resiliency and permitting the province to embark with confidence upon a program of expansion.

Requests for additional copies should be addressed to the Secretary, Economic Advisory and Planning Board, Legislative Building, Regina, Saskatchewan.

Current Economic Trends

LABOUR STATISTICS, SASKATCHEWAN

Description	1952		1951	
	Nov.	Dec.	Nov.	Dec.
<i>Industrial Composite</i>				
Index of Employment (1939 = 100).....	164.2	164.8	157.7	156.5
Average Weekly Salaries & Wages.....	\$ 51.52	\$ 51.37	\$ 48.48	\$ 48.94
Real Wages (in 1939 dollars).....	\$ 28.29	\$ 28.40	\$ 25.86	\$ 26.14
<i>National Employment</i>				
Service				
Unplaced Applicants.....	4,049	8,474	5,169	8,143
Unfilled Vacancies.....	1,373	1,158	868	751

MINERAL PRODUCTION, SASKATCHEWAN

Description	1952		1951	
	Volume	Value (\$000)	Volume	Value (\$000)
Gold, ozs.....	95,229	3,266	112,475	4,133
Silver, ozs.....	1,200,249	941	1,482,598	1,339
Copper, lbs.....	60,994,476	17,722	63,962,298	16,801
Zinc, lbs.....	86,128,287	15,143	79,082,292	15,167
Cadmium, lbs.....	89,123	143	99,835	259
All Metals.....		37,422		38,000
<hr/>				
Description	1952		1951	
Coal (000 short tons).....	2,068		2,223	
Crude Oil (000 bbl.).....	1,696		1,249	
Natural Gas (000,000 cu. ft.).....	1,139		860	
Bulk Salt (000 short tons).....	33		29	
Sodium Sulphate (000 short tons).....	122		192	

CASH INCOME FROM THE SALE OF SASKATCHEWAN FARM PRODUCTS

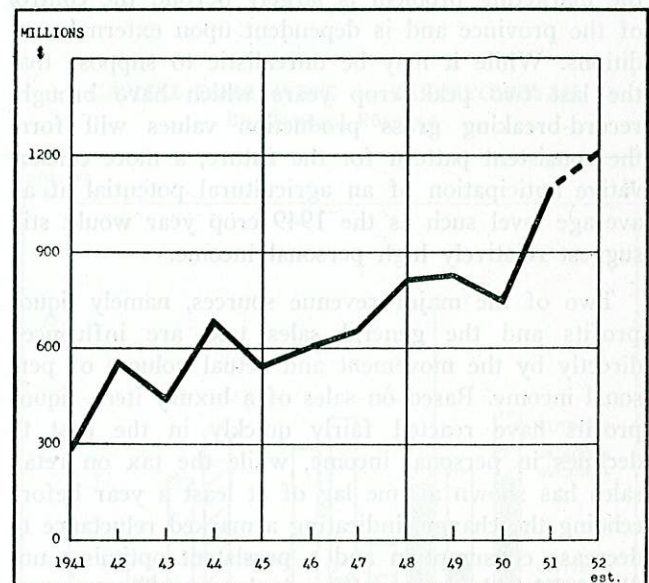
Commodity	1952 Preliminary (\$000)	1951 Revised (\$000)
Wheat.....	455,560	399,690
Coarse Grains, Seeds & Hay.....	116,972	69,098
Livestock.....	77,892	111,550
Dairy Products.....	20,893	21,691
Eggs & Poultry.....	14,489	16,795
Other.....	13,154	12,208
Cash Income from Farm Products.....	698,960	631,032
P.F.A.A. Payments.....	2,560	5,546
Total Cash Income.....	701,520	636,578

RETAIL SALES IN SASKATCHEWAN

Change in 1952 over 1951

Type of Store	Nov. %	Dec. %	Jan.- Dec. %
Department Store.....	+ 7.8	+ 20.0	+ 10.3
Country General.....	+ 2.7	+ 5.8	+ 5.3
Family Clothing.....	- 0.7	+ 11.7	+ 13.3
Furniture.....	+ 12.6	n.a.	+ 25.2
Motor Vehicles.....	+ 4.6	+ 18.4	+ 18.7
All Stores.....	+ 19.5	+ 14.1	+ 14.3

PERSONAL INCOME — SASKATCHEWAN



BUILDING ACTIVITY IN SASKATCHEWAN

Value of Building Permits	1952	1951
	(\$000)	(\$000)
November.....	5,373	1,434
December.....	2,059	693
January to December.....	33,814	17,316
<hr/>		
New Residential Construction	1952	1951
	Number	Number
Under Construction January 1.....	1,200	1,060
Started.....	3,570	2,154
Completed.....	2,630	2,026
Under Construction December 31.....	2,204	1,200