

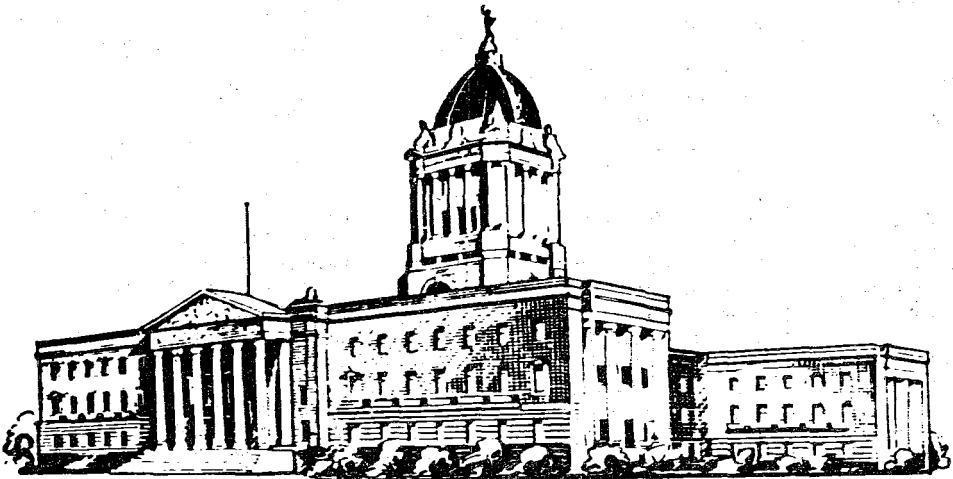


Legislative Assembly of Manitoba

**DEBATES  
and  
PROCEEDINGS**

Speaker

The Honourable Peter Fox



Vol. XIX No. 58 10:00 a.m., Friday, April 28th, 1972. Fourth Session, 29th Legislature.

Printed by R. S. Evans — Queen's Printer for Province of Manitoba

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WOLSELEY			

THE LEGISLATIVE ASSEMBLY OF MANITOBA  
10:00 o'clock, Friday, April 28, 1972

Opening Prayer by Mr. Speaker.

INTRODUCTION OF GUESTS

MR. SPEAKER: Before we proceed, I should like to direct the attention of the Honourable Members to the Gallery where we have 17 students of Grade 6 standing of the Ramah Hebrew School. These students are under the direction of Mrs. Zidle. This school is located in the constituency of the Honourable Member for River Heights, the Leader of the Opposition. And as my guests we have 21 students of Grade 12 standing of the Richey School, from Richey, Montana. These students are under the direction of Mr. Lane. On behalf of all the honourable members of the Legislature, I welcome you here today.

Presenting Petitions; Reading and Receiving Petitions; Presenting Reports by Standing and Special Committees; Ministerial Statements and Tabling of Reports; Notices of Motion; Introduction of Bills.

INTRODUCTION OF BILLS

MR. SPEAKER: The Honourable Member for Rupertsland.

MR. JEAN ALLARD (Rupertsland) introduced Bill No. 41, An Act to amend the Wildlife Act.

MR. SPEAKER: Oral Questions.

ORAL QUESTIONS

MR. SPEAKER: The Honourable Leader of the Opposition.

MR. SIDNEY SPIVAK, Q.C. (Leader of the Opposition)(River Heights): Mr. Speaker, my question is, in the absence of the Minister of Industry and Commerce, is to the First Minister. I wonder whether he can indicate whether the Board of Directors of the Manitoba Development Corporation have dealt with the complaints by the staff in connection with its Chairman.

MR. SPEAKER: The Honourable First Minister.

HON. EDWARD SCHREYER (Premier)(Rossmere): Mr. Speaker, I am confident that the Manitoba Development Corporation Board has dealt with the matter in the way that is provided for in the Manitoba Development Corporation Act, an Act which the Honourable Leader of the Opposition would be familiar with.

MR. SPIVAK: I have another question for the First Minister, in the absence of the Minister of Industry and Commerce. I wonder if the First Minister can indicate whether the Board of Directors of the Manitoba Development Corporation dealt with the matter of the termination of services of its solicitor before he was fired by the government.

MR. SCHREYER: Mr. Speaker, the last few words appended to that question make it irrelevant.

MR. SPIVAK: Mr. Speaker, I'll rephrase it in another way. Did the Manitoba Board of Directors or the Directors of the Manitoba Development Corporation deal with the question of the termination of the services of its solicitor or was it an administrative decision by the Chairman in consultation with the government.

MR. SCHREYER: Well, Mr. Speaker, that matter would be dealt with in the way in which any matter of internal operation in management is dealt with by that corporation. Furthermore, I believe that the Honourable the Leader of the Opposition is aware that in accordance with provisions of the Act, most parts of which were established in Statute ten years ago approximately, a certain authority and procedure was provided for by the Act with respect to the internal operation and administration of the MDF or the MDC.

MR. SPIVAK: I have another question for the First Minister. Did the Board of Directors of the Manitoba Development Corporation have any dealings particularly with respect to the government's position with Great Northern Capital and Columbia Forest Products in the last six months.

MR. SCHREYER: Mr. Speaker, if I understood the question properly it was, did the Board of Directors have any dealings with respect to the government's position on Great Northern Capital. Frankly, Mr. Speaker, if the Honourable Leader of the Opposition would perhaps give greater definition to his question, I'll try to answer it.

MR. SPIVAK: Did the Board of Directors of the Manitoba Development Corporation deal at their meetings with the correspondence and the negotiations and discussions with Great Northern Capital by its Chairman and by members of the government?

MR. SCHREYER: Mr. Speaker, not having been informed to the contrary I would assume the answer is "yes".

MR. SPEAKER: The Honourable Minister of Education.

#### TABLING OF REPORTS

HON. BEN HANUSCHAK (Minister of Education)(Burrows): Mr. Speaker, in accordance with the provisions of the Public Schools Finance Board Act I wish to table the annual report for the Public Schools Finance Board for the year ending December 31st, 1971.

MR. SPEAKER: Order, please. By leave it may be done. I should indicate to the Honourable Minister that we do have a procedure under routine proceedings where this item should have been introduced.

MR. HANUSCHAK: I wish to apologize, Mr. Speaker -- if I may have leave to table the report.

MR. SPEAKER: Do we have unanimity by leave? (Agreed) Very well. The report shall be tabled. The Honourable Member for Birtle-Russell.

#### ORAL QUESTIONS (CONT'D)

MR. HARRY E. GRAHAM (Birtle-Russell): Mr. Speaker, I'll direct my question to the First Minister in the absence of the Minister of Transportation. Could the First Minister indicate to the House when a permanent chairman of the Highway Traffic and Motor Transport Board will be appointed.

MR. SPEAKER: The Honourable First Minister.

MR. SCHREYER: Relatively soon, Mr. Speaker.

MR. SPEAKER: The Honourable Member for Thompson.

MR. JOSEPH P. BOROWSKI (Thompson): Mr. Speaker, I have a question for the Attorney-General. In view of the recall of cars by the Ford Motor Company which is going to cost them I believe \$30 million because of bearing failure in the back wheels, is the Attorney-General going to take any action against Chrysler which is having similar problems but which refuses up to this point to recall their cars.

MR. SPEAKER: The Honourable Attorney-General.

HON. A. H. MACKLING, Q.C. (Attorney-General)(St. James): Mr. Speaker, I'm interested in the statement of fact which is embodied in the question. It has not been brought to my attention before. I'll certainly take under advisement whether it's possible for either the Attorney-General's Department or the Department of Consumer Affairs to in any way have an effective role in respect to this matter of concern.

MR. BOROWSKI: Mr. Speaker, I have a question for the Minister of Labour. In view of the statement made by the Minister of Labour in Alberta this morning where the minimum wage is going to go up to \$2.00 could the Minister indicate if he is planning a similar minimum wage for Manitoba.

MR. SPEAKER: The Honourable Minister of Labour.

HON. RUSSELL PAULLEY (Minister of Labour)(Transcona): No. Mr. Speaker.

MR. SPEAKER: The Honourable Leader of the Opposition.

MR. SPIVAK: Mr. Speaker, in the absence of the Minister of Industry and Commerce this is to the First Minister. I wonder whether the First Minister could indicate whether the directors of the Manitoba Development Corporation have dealt with the potential sale of Columbia Forest Products to a Montreal company.

MR. SPEAKER: The Honourable First Minister.

MR. SCHREYER: Well Mr. Speaker, the words "dealt with", the expression used by the Honourable Leader of the Opposition, "deal with", is so amorphous that it makes it very difficult to answer that question.

MR. SPIVAK: I'll frame it in another way, Mr. Speaker, I wonder if the First Minister can indicate whether the Board of Directors has considered a proposal for the sale of Columbia Forest Products to a Montreal company.

MR. SCHREYER: Mr. Speaker, it would be more correct to say that a wide number of alternative arrangements have been considered with respect to a number of enterprises in

(MR. SCHREYER cont'd) . . . . which the Crown is involved. This kind of review is carried out on a continuing basis.

MR. SPIVAK: Mr. Speaker, my question is to the First Minister. Was Great Northern Capital or Great Northern Industries ever consulted with the potential sale that the Minister of Industry and Commerce has referred to in Montreal of Columbia Forest Products?

MR. SCHREYER: Mr. Speaker, it is my impression that the Board of Directors of the MDC carry on a continuing review of alternate possibilities with respect to the operation of enterprises in which the Crown has an interest. This is carried on in an ongoing way and therefore the point of my honourable friend's question escapes me.

MR. SPIVAK: Mr. Speaker, again I'll frame the question in another way to the First Minister. Was the Board of Directors of MDC consulted or was GNC consulted with respect to the potential sale of Columbia Forest Products to a Montreal company?

MR. SPEAKER: Order, please. I would like to suggest that this line of questioning is becoming repetitive. I would also suggest that there are probably other procedures where it could be much more adaptable, probably through estimates of the Department of Industry and Commerce where this area lies. We are consuming a tremendous amount of time and it seems to me it gets down to a point of cross-examining back and forth between two members of the House. I'm not certain that it's going to add to the procedure or expedite the procedure of this House but I'll allow the First Minister to answer the question. The Honourable First Minister.

MR. SCHREYER: Well, Mr. Speaker, I felt I have answered the gist of the question already and that is that there is an effort made at all times by persons serving on the Board in senior positions in the Corporation to continually review alternate possible arrangements with respect to the operation of enterprises in which the Crown has an interest. And one hopes that there is no prohibition put on any of the Board members with respect to studying and investigating ways and means of entering into alternative arrangements. Certainly no definitive, no definitive proposals have been made with respect to the Columbia Forest Products' operations.

MR. SPIVAK: I have a question for the First Minister. If the government had not terminated the contract and did not own the shares in the company. . .

MR. SPEAKER: Order, please. Order, please. The question is hypothetical right from the beginning. It's out of order. The Honourable First Minister.

MR. SCHREYER: Well then, Mr. Speaker, I rise on a point of order. The question is out of order and I don't presume, Sir, to question your ruling on that. However, it is already now on the record, the words of the Leader of the Opposition -- the government has terminated the agreement -- and Mr. Speaker, I must simply deny that that is so.

MR. SPIVAK: Yes, my question is to the First Minister. How could the government deal with the potential sale of Columbia Forest Products if they did not own it?

MR. SPEAKER: Order, please. Order, please. ORDER! Order, please. I would suggest that as I indicated earlier to the Leader of the Opposition to give consideration to whether this type of questioning could not be better utilized in the Estimates. I'm certain that there are other members who would like to ask questions, who would like to have the floor. The Honourable Member for Fort Rouge.

MRS. INEZ TRUEMAN (Fort Rouge): Mr. Speaker, I have a question for the Honourable Minister of Health and Social Development. Does his department plan to approve or issue any further licenses for the operation of ambulances in the Interlake area in the near future?

MR. SPEAKER: The Honourable Minister of Health and Social Development.

HON. RENE E. TOUPIN (Minister of Health and Social Development)(Springfield): Mr. Speaker, this is always possible, it's for the government to decide and to look at applications and to see where the need is spelled out and try to meet those needs. I don't feel that I should be explaining the procedures used to issue or refuse granting of licenses at this stage without looking at all the applicants that we have and the reasons why we have to issue and sometimes cancel licenses.

MR. SPEAKER: The Honourable Member for Minnedosa.

MR. DAVID R. BLAKE (Minnedosa): Mr. Speaker, my question would be for the Honourable Minister of Labour. In view of the question posed by the Honourable Member for Thompson, I wonder if the Minister could tell us if he has received the report of the Minimum Wage Board relative to hearings held around the province recently.

MR. SPEAKER: The Honourable Minister of Labour.

MR. PAULLEY: Yes, Mr. Speaker, and it is under consideration.

MR. SPEAKER: The Honourable Member for St. Matthews.

MR. WALLY JOHANNSON (Wellington): In the absence of the Minister of Industry and Commerce I'd like to direct a question to the First Minister. In the 1967 -- could the First Minister inform us -- at the time of the 1967 agreement between the Rodell Corporation and the Development Fund, the agreement which contained an open ended provision -- who was the Minister of Industry and Commerce at the time?

MR. SPEAKER: Order, please. That information is public information. All the honourable member has to do is look in Hansard and find out. The Honourable Member for Fort Garry.

MR. L. R. (BUD) SHERMAN (Fort Garry): Thank you, Mr. Speaker. My question is to the Honourable the First Minister and arises out of the specifications for the . . .

MR. SPEAKER: Order, please.

MR. SHERMAN: . . . arises out of the specifications for the proposed group insurance plan for MDC subsidiary submitted by Mr. R. E. Fisher. Has the government been in receipt of any expressions of dismay or criticism from the industry here about those specifications on the grounds -- (Interjection) -- on the grounds that the specifications are not adequate enough to make realistic . . .

MR. SPEAKER: Order, please. The question is argumentative. Does the Honourable Member for Fort Garry wish to rephrase it?

MR. SHERMAN: I'll rephrase the question, reframe the question, Mr. Speaker. Has the First Minister had an opportunity to determine for himself whether those specifications are adequate enough for companies here to make realistic bids on the plan?

MR. SPEAKER: The Honourable First Minister.

MR. SCHREYER: Well, Mr. Speaker, the only way I can answer that question is to express confidence that when bids are called that there will be a good response from the local insurance underwriting community.

MR. SPEAKER: The Honourable Member for Birtle-Russell.

MR. GRAHAM: Thank you, Mr. Chairman. My question is to the First Minister in the absence of the Minister of Transportation. Will the applications in the granting of ambulance licenses come under the purview of the Highway Traffic and Motor Transport Board once a chairman has been established for that Board?

MR. SPEAKER: The Honourable First Minister.

MR. SCHREYER: Mr. Speaker, I fail to catch the reference to the chairmanship of the Motor Transport Board that there is a person acting in that capacity now.

MR. SPEAKER: The Honourable Member for Crescentwood.

MR. CY GONICK (Crescentwood): I have a question for the First Minister arising from the questions from the Member from Fort Garry. Has the government considered that for the subsidiaries of the MDC that they are now establishing a life insurance service? Has the government considered setting up a self service life insurance company through MDC?

MR. SPEAKER: The Honourable First Minister.

MR. SCHREYER: Mr. Speaker, I believe I understand the question although I did not receive notice of it. May I say that should the response to the calling of bids for the underwriting of this kind of insurance -- should the response from local underwriters be a low or poor response then it may well be necessary to consider the proposal implicit in the Honourable Member's question.

MR. SPEAKER: The Honourable Member from Fort Garry.

MR. SHERMAN: A question to the Honourable the First Minister, Mr. Speaker, related to the question just asked by the Honourable Member for Crescentwood. Should the response to bids in the case in question be poor or minimal, would the Minister investigate the specifications to determine whether they are broad enough and adequate enough to permit realistic bids?

MR. SCHREYER: Well Mr. Speaker, I think that I am having as much difficulty with the subject matter here as obviously my honourable friend is.

MR. SPEAKER: The Honourable Member for Churchill.

MR. GORDON W. BEARD (Churchill): My question is to the First Minister, in respect to insurance. I wonder if the government is considering underwriting marine insurance for

(MR. BEARD cont'd) . . . . the extension of the service in the Churchill area?

MR. SPEAKER: The Honourable First Minister.

MR. SCHREYER: Mr. Speaker, I realize that the Honourable Member for Churchill realizes the practical benefits that might accrue if the Crown were to consider the underwriting of marine insurance and I can advise him that the government too has been treating this matter seriously. We have had the concept of some special form of underwriting of marine insurance under consideration. We have made some proposals to the Federal Minister, in fact two Federal Ministers. We have not got a definitive indication of intent back from them as yet. However, we certainly have not abandoned the concept.

MR. BEARD: A subsequent question. Has the Federal Government to his knowledge, has the Federal Government ever become involved in marine insurance in any way?

MR. SCHREYER: Mr. Speaker, I really can't answer that in a definitive way. My understanding is that they have not in a direct way, but indirectly through the underwriting of export cargo insurance. But I can check on that further.

MR. BEARD: A subsequent question. I wonder if the Minister would care to undertake to look into Northern Transportation Company and see whether they are insuring the northern transportation projects in the Arctic?

MR. SCHREYER: Mr. Speaker, yes, I'll certainly make an effort to do that, and welcome the honourable member's interest and support for the concept of publicly owned northern transportation.

MR. SPEAKER: The Honourable Member for Fort Garry.

MR. SHERMAN: Thank you, Mr. Speaker. A question to the Honourable the First Minister. Were the specifications from Mr. Fisher invited with the approval of the Board of Directors of the MDC or just invited by the Chairman of the MDC?

MR. SPEAKER: The Honourable First Minister.

MR. SCHREYER: Mr. Speaker, I have no possible way of knowing that. I can make enquiries but I hesitate to do so for the simple reason that this is -- I know for a fact this is something that my honourable friends would not have dreamt of doing.

MR. SPEAKER: The Honourable Member for Brandon West.

MR. EDWARD MCGILL (Brandon West): Mr. Speaker, my question is for the Honourable the House Leader, relative to the general agreement reached at the last meeting of the Standing Committee on Economic Development, that Dr. Briant would appear and give information on MDC operations. Is it the intention of the government to reconvene the Standing Committee on Economic Development next week?

MR. SPEAKER: The Honourable Minister of Labour.

MR. PAULLEY: Mr. Chairman, as the Honourable Member knows well, or should know well, the reconvening of the Committee on Economic Development was left to the call of the Chair.

MR. SPEAKER: The Honourable Member for Emerson.

MR. GABRIEL GIRARD (Emerson): I would like to direct a question to the Honourable Minister of Education. I wonder if he could tell the House whether the 18 mill decrease of special levy in Seine River will apply to all the ratepayers of Seine River or just a portion?

MR. SPEAKER: Orders of the Day. The Honourable Member for Arthur.

MR. J. DOUGLAS WATT (Arthur): Before the Orders of the Day, I would like to direct a question -- I think it should be directed to the Minister of Industry and Commerce and since he's not here, I'll direct the question to the Minister of Agriculture.

My question, Mr. Speaker, arises out of a lengthy report in the Winnipeg Tribune a couple of days ago regarding the depleting population of the frogs in the Province of Manitoba. My question to the Minister is, is it his intention to set up a Frog Marketing Commission and if so, will there be a fixed price and will there be production control?

MR. SPEAKER: The Honourable Minister of Agriculture.

HON. SAMUEL USKIW (Minister of Agriculture) (Lac du Bonnet): Mr. Speaker, I had considered the matter and I had thought also that the member for Arthur might want to head that kind of a commission.

MR. WATT: Mr. Speaker, I just have a supplementary question. Is the Minister liable to jump in any direction, as frogs do?

MR. SPEAKER: The Honourable Minister of Education.

MR. HANUSCHAK: Mr. Speaker, as I was about to answer the question put to me by

(MR. HANUSCHAK cont'd) . . . the Honourable Member for Emerson . . .

A MEMBER: Jumped up like a frog.

MR. HANUSCHAK: . . . the Honourable Member for Arthur . . .

A MEMBER: Jumped up like a frog.

MR. HANUSCHAK: Well -- he jumped up. No, the answer to the question is that this would apply to the portion of the school division -- what was within the municipality of Fort Garry, which is now part of the city of Winnipeg.

MR. GIRARD: A supplementary question Mr. Speaker. Does this mean therefore that some people in Seine River Division will be paying 18 mills of taxation more than others, simply because they don't live in the same place?

MR. HANUSCHAK: I don't know what the municipal taxes may be in the other municipalities within the school division.

MR. SPEAKER: The Honourable Member for Emerson.

MR. GIRARD: I wonder if the Honourable Minister would undertake to find out if this is the case and inform the House, and furthermore as to why this would exist.

MR. HANUSCHAK: Mr. Speaker, you know I would be happy to provide the Honourable Member with that information, but I am sure that you remember as well as I do -- or at least I cannot recall my estimates having been dealt with yet, and hence it would seem that this question is anticipatory and out of order.

MR. SPEAKER: The Honourable Member for Rock Lake.

MR. HENRY J. EINARSON (Rock Lake): Mr. Speaker, I direct this question to the Minister of Education. Since the School Division Board of Mountain have presented their budget to the Municipal Council of Lorne, showing an increase of 8.7 mills. The Municipal Council have rejected it. Is the Minister taking any action in this regard?

MR. SPEAKER: The Honourable Minister of Education.

MR. HANUSCHAK: Mr. Speaker, I am not aware of the fact of the Municipal Council's answer to the Minister of Education.

MR. SPEAKER: The Honourable Member for Rhineland.

MR. JACOB M. FROESE (Rhineland): Mr. Speaker, my first question is to the Minister of Education. Is it a fact that some school divisions and their construction programs are required to hold the cost down to \$18 per square foot whereas others can spend quite a bit more?

MR. SPEAKER: The Honourable Minister of Education.

MR. HANUSCHAK: In the first instance, Mr. Speaker, the information on which the question is based is erroneous; secondly, again I repeat, I believe that question is anticipatory.

MR. SPEAKER: The Honourable Member for Crescentwood.

MR. GONICK: Mr. Speaker, my question is to the First Minister and again in regard to the life insurance issue. Among the initial bids that the MDC will consider, will there be one from a non profit life insurance scheme run by the government?

MR. SPEAKER: The Honourable First Minister.

MR. SCHREYER: Well, Mr. Speaker, if the Honourable Member for Crescentwood is suggesting a bid from an insurance underwriting company that is not yet in existence, I should think the answer would be negative.

MR. SPEAKER: The Honourable Member for Emerson.

MR. GIRARD: I would like to direct a question to the Honourable Minister of Education. Is the Finance Board at present holding a fast line with regards to construction of schools being priced at \$18.50 per square foot, and is it not true that they are not accepting the bids that are higher than \$18.50 per square foot?

MR. SPEAKER: The Honourable Minister of Education.

MR. HANUSCHAK: The Public Schools Finance Board and the Department of Education is also concerned about getting the best value for every dollar spent on education.

MR. GIRARD: I wonder if the Honourable Minister of Education could tell me where I could get the answer to my question?

MR. SPEAKER: Order, please. I would suggest that the question is impertinent. I would also suggest that the Honourable Member withdraw that kind of a question. He has received an answer to almost every question he asked.

MR. GIRARD: Mr. Speaker . . .

MR. SPEAKER: Order, please. It may not be satisfactory to him, but he has received



(MR. SPEAKER cont'd) . . . .an answer in this House under our Rules. The Honourable Member for Emerson. Would the Honourable Member for Emerson kindly withdraw?

MR. GIRARD: Mr. Speaker, on a point of order. I asked the Minister if it was so that the . . .

MR. SPEAKER: Order, please. I am not debating the issue. I heard both questions. The Honourable Member asked a question of the Minister, the Minister replied. Then the Honourable Member placed a question which I consider impertinent, because he did reply, get a reply. Now I would like to have him withdraw that second question.

MR. GIRARD: I'll withdraw.

MR. SPEAKER: Thank you. The Honourable Member for Fort Garry.

MR. SHERMAN: Mr. Speaker, my question is to the Honourable the First Minister. I wonder if he could advise whether he has had any formal indication from the Honourable Member for Crescentwood that a bid from a non profit insurance company will be forthcoming on the MDC group plan.

MR. SPEAKER: The Honourable First Minister.

MR. SCHREYER: Well, Mr. Speaker . . .

MR. SPEAKER: Order, please. May I suggest that I have very great difficulty in hearing all the questions because honourable members are interjecting, and consequently a question may be out of order, but if I can't hear it I have to allow it. The Honourable First Minister.

MR. SCHREYER: Well, Mr. Speaker, I believe I did hear most of the question if not all of it, and it was based on a hypothesis, so it's out of order.

MR. SPEAKER: The Honourable Member for Rock Lake.

MR. EINARSON: Mr. Speaker, I direct this question to the Minister of Education. Could he indicate to this House whether his department has approved the budget for Mountain School Division?

MR. SPEAKER: The Honourable Minister of Education.

MR. HANUSCHAK: All approvals required under the Public Schools Act have been granted.

MR. SPEAKER: The Honourable Member for Rhineland.

MR. FROESE: Mr. Speaker, I would like to address a question to the Honourable the Minister of Agriculture. In view of the complaints and enquiries received in connection with the payments under the two-price system of wheat, could the Honourable Minister inform the House as to what acres qualify and what acres do not qualify.

MR. SPEAKER: The Honourable Minister of Agriculture.

MR. USKIW: Mr. Speaker, I don't have obviously the detailed information on it, having not received notice of the question. I believe the area of concern would likely be where farmers have received benefits under other programs, as the Federal Government, namely the Grassland Incentive Programs and that likely has compromised the returns under this program.

MR. FROESE: A supplementary question. The enquiries that I have received are not of that nature at all, and the question is whether he could not give us the formula or the criteria on which acres do qualify and on what basis the payments are being made.

MR. USKIW: Mr. Speaker, my understanding is that it's based on the acres as stated in the Canadian Wheat Board permit book but I believe there is a qualification where other payments are made against some of the same acres.

MR. SPEAKER: The Honourable Member for Emerson.

MR. GIRARD: I would like to address a question to the Honourable Minister of Education. I wonder if he could advise the House as to whether the applications for construction of schools should now be addressed to the Building Projects Committee or the Planning and Research Branch.

MR. SPEAKER: The Honourable Minister of Education.

MR. HANUSCHAK: There is no change in procedure, Mr. Speaker.

MR. GIRARD: I wonder if the Honourable Minister would confirm that approvals must be given by Planning and Research before they are given by Building Projects Committee?

MR. HANUSCHAK: I repeat again, Mr. Speaker, there has been no change in procedure.

MR. SPEAKER: The Honourable Minister of Agriculture.

MR. USKIW: Mr. Speaker, a day or two ago someone in the opposition posed a question

(MR. USKIW (cont'd) . . . . as to the extent of Manitoba government participation in the financing of the Canada Grains Council. There was a grant of \$10,000 paid in 1970 from the Manitoba Government.

#### ORDERS OF THE DAY

MR. SPEAKER: The Honourable House Leader.

MR. PAULLEY: Mr. Speaker, we will be going into Committee of the Whole House to consider Bill No. 21 on motion of the Honourable the Minister of Finance.

MR. SPEAKER: The Honourable Minister of Finance.

HON. SAUL CHERNIACK, Q.C. (Minister of Finance)(St. Johns): I beg to move, seconded by the Honourable Minister of Labour that Mr. Speaker do now leave the chair and the House resolve itself into a Committee of the Whole to consider the following Bill No. 21, an Act to amend the Revenue Tax Act, the Tobacco Tax Act, and the Amusement Act.

MR. SPEAKER presented the motion and after a voice vote declared the motion carried and the House resolved itself into a Committee of the Whole with the Honourable Member for Logan in the Chair.

MR. SPEAKER: The Honourable Member for Logan.

#### COMMITTEE OF THE WHOLE HOUSE

MR. CHAIRMAN: Section 4, Subsection 3 (13) -- passed; Subsection 3 (15) . . . The Honourable Member for Brandon West.

MR. MCGILL: Mr. Chairman, when we left off on this matter last evening, the question of the applicability of the overfly tax to aircraft which had been fully paid for was under discussion, and the Minister indicated that he felt that no tax would apply in the case of an airplane that had been purchased prior to May 1st and paid for, but that the tax would apply to units which had been purchased on or after May 1st, or for which lease payments or lease purchase payments were being met monthly or annually on some basis -- that the percentage of the total cost would be based upon the percentage mileage over Manitoba as compared with the total mileage flown by that unit, that aircraft. Mr. Chairman, I am wondering if this whole matter which comes up at this stage and the question of the constitutionality has been discussed or dealt with by the Minister and his department with Air Canada, with CP Air and with other carriers who would be directly affected by this regulation, and presumably on Monday morning it would apply if this regulation becomes law today. I would be very interested to hear what information the Minister can supply on his discussions or his departmental discussions with the airlines on this matter, also on the question of the constitutionality of the whole matter of the Province of Manitoba assuming jurisdiction over the air space above the province.

MR. CHERNIACK: Mr. Chairman, I . . .

MR. CHAIRMAN: Order, please. The Honourable Minister of Finance.

MR. CHERNIACK: Mr. Chairman, I want to try to deal with the points raised by the Honourable Member for Brandon West. I also want to complete some unfinished business from last night and after having done that, Mr. Chairman, I want to stick rigidly to the section that we're dealing with at the time. But the question is still coming in a general way.

In the first place, I want to stress the fact that my interpretation is that we are not assuming jurisdiction over the airways. Let's get that absolutely clear, Mr. Chairman. I said yesterday loud and clear we are taxing people who do business in Manitoba in connection with their consumption of products within Manitoba. The formula will be discussed under 64 if it has to be because I think it's been discussed amply. The fact that the Member for Brandon West has several times yesterday and today referred to jurisdiction over the airways is no longer a matter of interest to me. I don't see any point in continuing to debate that. The question of constitutionality I believe is the same. I have given my answer. Neither he nor I are going to be the judges that rule on constitutionality; I've given him my opinion; it's supported by that of the advisors that I have in whom I have confidence.

Therefore as far as I'm concerned we are dealing with taxation of people who do reside or carry on business, persons who desire to carry on business in Manitoba. The manner in which we do it is a formula. Now his question was: did we discuss this? Is he suggesting that we may have discussed this before the Budget Speech? If he is then I would reject that

(MR. CHERNIACK cont'd) . . . . thought as being improper. And I can only say that since that occasion we, I believe -- not I but my department has already made tentative arrangements with at least one of the airlines to discuss the formula, the agreement and the manner of application. That really can't be dealt with until after the bill comes into law.

Now, Mr. Speaker, the Leader of the Opposition asked certain questions about Quebec. Unfortunately as I said yesterday, unfortunately one cannot get all kinds of information one wants from other provinces. To date we have not received information as to the way they apply their taxation. But I have the Quebec sales tax, the sales tax in Quebec, the legislation, and there's absolutely no exemption -- I could read all the exemptions or I could send it across the -- to the other side of the Chamber -- but there is no exemption for aircraft. I am informed -- well I have the CMHC comment on that -- in Quebec, aircraft parts or accessories along with aircraft are subject to provincial sales tax. Persons are subject to provincial sales tax on purchases of aircraft operated exclusively between airports in Quebec, and this is the relevant section that I want to read: "Aircraft of companies normally engaged in commercial transportation are subject to the tax on the purchase price on the aircraft and parts in the proportion of mileage covered in the province compared to total mileage with a minimum of 20 percent." And I'm told that that minimum is enforced, that where the actual mileage relationship is less than 20 percent then they do collect 20 percent. But where there is an aircraft that operates exclusively and only between provinces there is not a tax but Air Canada I believe is a taxpayer in Quebec.

I was also asked questions relating to Transair and I have to come back to the legislation which we now have or which we are proposing to repeal, and that is Section 3 -- rather 4 (1) (r) which says: "Aircraft normally engaged in foreign or interprovincial trade and repair parts thereon." It would appear that an airplane which is used outside of Manitoba in a normal way, and normal is a matter for interpretation, and normal could be -- may be scheduled once a year if I use an extreme example -- that that aircraft can then become exempt from under this section. And that's one of the anomalies we would like to remove because the fact is that aircraft that is normally within the province only has been taxed by this or by the previous or the present government -- I don't know the timing of it -- under this legislation. But it is possible to get out of paying the tax if that aircraft or indeed every aircraft company or carrier owns is taken out of the province. The legislation we have before us will of course equalize the impact of taxation on all aircraft flown within the province, and to that extent it's a positive step. The main impact of course would be in connection with Air Canada which is of course the big carrier that flies within Manitoba.

Mr. Chairman, I don't know whether we should continue to have all these general discussions because I think we are dealing with section by section. I think we should deal with it in the way that the rules require it to be done. I don't want to be drawn into further general discussions unless they are related to the section itself.

#### INTRODUCTION OF GUESTS

MR. CHAIRMAN: May I draw the attention of the members to the gallery, the Speaker's Gallery, where we have 15 students from the Moorhead State College, Minnesota. The senior class are under the guidance of Mr. Dvoracek and these guests are guests of the Speaker. On behalf of all members of the Assembly I bid you welcome.

#### COMMITTEE OF THE WHOLE - (Cont'd)

MR. CHAIRMAN: Order, please. I think the point that the Minister of Finance has raised has been a good one. I've been keeping track of the sections. We've had 35 speakers excluding the Minister of Finance on this one section. I've allowed a certain amount of latitude and we've wandered quite a bit. I want to caution the members this morning that we're on Section 4 subsection 3 (14) and that is where we will deal clause by clause, section by section. The Honourable Member for Brandon West.

MR. MCGILL: Mr. Chairman, I'm aware of your concern about the extent and the tack which the discussion is taking, but I did feel that I should thank the Minister for his further explanation on the matters that were discussed last night, and particularly that matter which referred to the present Act which he now explains as indicating that if an aircraft is used within Manitoba and also on a skid that runs outside of Manitoba that it is now completely exempt. There was some fuzziness about the explanations on that matter in our discussion last

(MR. MCGILL cont'd) . . . . night. So my understanding was that that was the case and I'm pleased that the Minister has confirmed it.

The other point -- and I realize that this is the area the Minister does not want to continue in, but would he please indicate whether there's an overfly tax in Quebec for Air Canada and other operators.

MR. CHAIRMAN: Order, please. I think I've made the intention of the Chair quite explicit and clear. We will deal with the section that we're under which is date and purchase of aircraft. There is nothing in here of reference to Quebec or the provinces elsewhere.

MR. SPEAKER: The Honourable Leader of the Opposition.

MR. SPIVAK: The Honourable Member from Brandon West is dealing with the application of this tax in Manitoba. In the discussion it was indicated that this tax was in fact applied in other jurisdictions. It's pretty relevant for a determination to determine whether we are leading in this situation or we're following an example that has been set in other jurisdictions. It's obvious as well that the Minister is not sure because of the inability to be able to obtain information of the way in which the tax is actually applied. Certainly it is relevant for this particular section for this Assembly to consider it before they're asked to approve it.

MR. CHAIRMAN: I think the question is repetitive. The question has been asked at least on six other occasions.

MR. SPIVAK: Mr. Chairman, on a point of order. The question may be repetitive but there are new answers that are being given by the government and new information is obtained.

MR. CHAIRMAN: Order, please. I am ruling that the question that the honourable member has raised is one that has been raised on at least six other occasions, and I order it as being repetitive.

MR. CHERNIACK: On the point of order. May I point out that ...

MR. CHAIRMAN: The Honourable Minister of Finance. Point of order?

MR. CHERNIACK: ... it's really Section 4 (6) that should be -- where this matter should have been raised and should have been discussed, and that we haven't reached that yet.

MR. CHAIRMAN: Subsection (4) -- the Honourable Leader of the Opposition.

MR. SPIVAK: All right, Mr. Chairman. I wonder then if I can ask the Minister of Finance whether the government has considered in the placing of this particular tax the implications it will have for the development of the aerospace industry in Manitoba. I assume on the basis of this particular tax that Bristol Aerospace and CAE will now be subject to a five per cent tax on the repair parts for planes that are delivered here for maintenance. Is that correct?

MR. CHAIRMAN: The Honourable Minister of Finance.

MR. CHERNIACK: ... to subsection (14) of Section 3?

MR. CHAIRMAN: Yes.

MR. CHERNIACK: Well, Mr. Chairman, I want to read it for the purpose of this section: "Aircraft or repair parts therefore that have not been delivered to the normal place of business or residence of the purchaser thereof prior to the first day of May, 1972, shall be deemed to have been purchased on or after the first day of May, 1972." It's a transitional cost which will apply as I pointed out was required when the original Revenue Tax Act was introduced, and what this section purports to deal with is to say that deliveries after May 1st, 72 are deemed to have been purchased on or after that date.

MR. CHAIRMAN: Subsection (3) (14) -- the Honourable Leader of the Opposition.

MR. SPIVAK: Again may I ask, this then would apply to CAE and to Bristol Aerospace with respect to planes that are repaired and delivered in Manitoba.

MR. CHAIRMAN: The Honourable Minister of Finance.

MR. CHERNIACK: Mr. Chairman, as I understand it these firms may well be collectors of tax but I don't see that they're payers of tax if they are repair depots.

MR. CHAIRMAN: Section 4 ...

MR. SPIVAK: Mr. Chairman, I wonder if the Minister would then indicate whether this section would apply to Saunders Aircraft as well.

MR. CHERNIACK: I would say it should apply to Saunders Aircraft to the extent that they operate aircraft, but if they sell aircraft then obviously it's the purchaser that is liable for taxation and the purchaser is -- it's early in the morning, Mr. Chairman, I want to restrain myself -- the tax is payable by the consumer. If Saunders Aircraft flies planes by charter or by regular schedule, or indeed XYZ aircraft purchases or builds its own planes for the purpose of consuming the planes in a regular way, they are liable for taxation. I don't know anything

(MR. CHERNIACK cont'd) . . . . about the way Saunders Aircraft operates.

MR. CHAIRMAN: Section 4 subsection (3) (14) -- passed; (3) (15) . . . The Honourable Leader of the Opposition.

MR. SPIVAK: Well, Mr. Chairman, here we I think will be into a debate that may very well -- where we're confined to the leasing of aircraft but I think it's fairly relevant to the whole question of production machinery. In the statements that were made by the Minister in the early discussion there was a bit of overlapping, and I think just for the record it should be noted that the Member from Brandon West indicated initially that there was overlapping and was asking questions directly in both sections. The Minister indicated that in fact the leasing of aircraft was a means essentially for or was motivated essentially by tax avoidance. Well the suggestion was that most, most leasing took place as a result of the ability to be able to have an attractive tax position. The truth of the matter is for Manitoba, and for the aircraft industry -- and for in fact all industry because they are essentially small industries and small by relative to the standards for their particular categories of industry that are national in scope -- the ability to be able to arrange capital is very difficult and it's been a common practice and an expensive practice for leasing to take place. And leasing takes place because of the necessity of being able to try and expand with the minimum amount of new capital investment because of the difficulties of being able to attract capital for investment in Manitoba.

Now as I understand it we are now going to put effectively a tax on leasing which will in effect be essentially a tax on purchase and interest and other carrying charges. And so what? So what? The Member from Thompson says, "so what?" because as far as the Member for Thompson is concerned his concept is very foolishly that it is the large corporations who are paying this. But, Mr. Chairman, the people who are going to be paying this are the people of Manitoba who ultimately are the consumers of whatever product and goods and services are being provided. And they are going to be paying it -- and they are going to be paying it because the costs have been added as a continuing cost of doing business. Now I don't know whether the Minister has any figures as to what specifically this particular tax will gain in terms of the amount. I gather he had an amount in the other case. I would be interested in knowing whether in this particular situation he has a figure, and if he has then we can make an assessment as to how this will be passed on to the people in Manitoba.

MR. CHAIRMAN: The Honourable Minister of Finance.

MR. CHERNIACK: Mr. Chairman, I don't see how we can go to companies and start asking them whether they're leasing or whether they're buying or owning until we actually have a tax imposed. The answer has to be that we don't know, but we will find out, and that's certain.

Now he has again said and I have again responded that whether you lease or whether you buy there are costs involved, be they financing costs, be they insurance, be they repair; and I still say that in many cases it is a tax arrangement, in other cases it's a financing arrangement. Either way it is a cost of acquisition of a product which is going to be consumed within the province and therefore is just as taxable as is the serviette that is used up in a restaurant or in any of the restaurants of Winnipeg and which are taxed in accordance with a law which was imposed by the previous government.

MR. CHAIRMAN: Subsection (3) (15) -- The Honourable Member for Brandon West.

MR. MCGILL: Mr. Chairman, with respect to subsection (3) (15) I have some misgivings about the wording here. I expressed them previously and I think this is the appropriate time to again make some comments for the purpose of this section where an aircraft is engaged in foreign or inter-provincial trade.

Mr. Chairman, I have to take the example of Northern Manitoba here and to consider the prospects of Churchill of an important airbase for the servicing of the Arctic Islands and the new oil developments. I'm thinking of an airplane that is based at Churchill and that is flying to Ellesmere Island and the Romulus site and is flying relatively few miles within the Province of Manitoba and some thousands of miles outside the Province of Manitoba, but not inter-provincially and it would appear that this section would make a rather extreme penalty in this case because it limits it to the inter-provincial trade which that aircraft is carrying on. So the future of Churchill as an important airbase and a servicing point for the Arctic Islands will be influenced to some degree by the proper interpretation of this section.

Now if inter-provincial trade means what I think it means, it means between provinces, and the Northwest Territories do not qualify and do not come within that definition, so I think that there must be some reason for looking again at the way in which this section is worded.

(MR. MCGILL cont'd) . . . . Surely, Mr. Chairman, this is an important point and one that should be clearly understood before Monday, May 1st, when this Act hopefully - at least from the government's point of view is going to become operative.

I would like again the Minister to tell me whether the words chosen here are used in their precise definition or whether they are somewhat loosely applied to cover the flights that take place over the Northwest Territories and the Arctic Islands.

MR. CHAIRMAN: The Honourable Minister of Finance.

MR. CHERNIACK: Mr. Chairman, I have satisfied myself in my discussions with the Legislative Counsel that inter-provincial includes Northwest Territories in that anything that flies in or out of Manitoba would be inter-provincial and the mileage would affect it, but that's again Section 6 (4). All this does is bring back under the Act what was previously exempt insofar as it relates to leasing. The formula is again to be discussed later and the formula - just to answer the honourable member - will apply on a mileage basis for all flights outside of Manitoba being excluded from taxation.

MR. CHAIRMAN: The Honourable Member from Brandon West.

MR. MCGILL: Mr. Chairman, does the Minister not feel then that the wording needs some clearer definition?

MR. CHERNIACK: Mr. Chairman, I rely entirely in this respect on the Legislative Counsel. If he doesn't think so, and he doesn't, then I don't think so. I'm quite satisfied to accept his advice but - he wants to say something --(Interjection)-- The Legislative Counsel informs me that the wording is exactly the same as the wording in the exemption and therefore in his opinion it has to have the exact wording to make it clear. And if he's satisfied with it, my answer is I'm satisfied with it.

MR. CHAIRMAN: Subsection (3) (15) -- passed; The Honourable Leader of the Opposition.

MR. SPIVAK: Mr. Chairman, I wonder again if the Minister can indicate whether other jurisdictions have this particular clause. Do other jurisdictions, do Ontario have this clause or a clause similar to this - Quebec and B.C. or is it only B.C. and Quebec?

MR. CHERNIACK: Mr. Chairman, I thought I had made it clear that Quebec and B.C. are taxing in this way. I have the Act here of Quebec -- I'll be glad to lend it to him although it's a borrowed copy and I must return it, so he can have it as long as he returns it to me so I can return it -- and there is no exemption whatsoever for aircraft at all. I assume therefore that the regulations in Quebec actually describe it. I think I've answered the question otherwise on several occasions.

MR. CHAIRMAN: The Honourable Leader of the Opposition.

MR. SPIVAK: I think it's relevant to draw the attention of the Minister and the government to a fact of life for Manitoba where an opportunity for Manitoba may be lost. At the present time the Pan Arctic oil explorations and --(Interjection)-- oh yes, very much, this is on . . .

MR. CHERNIACK: Dealing with May 1st.

MR. SPIVAK: This is on leased aircraft.

MR. CHERNIACK: But, Mr. Chairman, again I do want today, and I am hoping we'll complete this matter today, I do want today to stick to each section and this is a transitional section as I understand it dealing with the leasing of aircraft. I think if the honourable member wants to make the speech he wants to make - and I don't have to tell him where to do it - but in order to expedite matters I would say it probably belongs in Section 6 which deals with the repeal of clause (r).

MR. CHAIRMAN: Section 3 (15) -- passed;

MR. SPIVAK: Mr. Chairman, ayes and nays, please.

MR. CHAIRMAN: The Honourable Leader of the Opposition. --(Interjection)-- No ayes and nays?

MR. CHAIRMAN presented the motion and after a voice vote declared the motion carried.

MR. SPIVAK: Ayes and nays, Mr. Chairman.

MR. CHAIRMAN: Call in the members.

MR. SPIVAK: . . . I thought you knew when you were talking that it would be different.

MR. CHAIRMAN: Order, please. In the absence of some members - we are on Clause 4 subsection 3 (15).

A COUNTED VOTE was taken, the result being as follows: Yeas 24; Nays 22.

MR. CHAIRMAN: I declare the motion carried. Clause 4 subsection (3) (16) . . . The Honourable Member for Fort Garry.

MR. SHERMAN: Mr. Chairman, (3) (16) relates to production machinery and production ...

MR. CHAIRMAN: Order, please.

MR. SHERMAN: ... 3 (16) relates to production machinery and production equipment and in our opinion, Mr. Chairman, includes a wide number of anomalies that require explanation from the Minister and involves a certain amount of discrimination against sectors of the business and industrial community. There are aspects of its application it would appear to us that would ...

MR. CHAIRMAN: Order please.

MR. SHERMAN: ... offer particular advantage ...

MR. CHAIRMAN: I suggest to honourable members that if they wish to carry on meetings they carry them on out in the hall. It's very difficult for the Chair to hear what the honourable member is saying. The Honourable Member for Fort Garry.

MR. SHERMAN: Thank you, Mr. Chairman. There are aspects of the application of 3 (16) it would appear to us what operates to the advantage of certain sectors of the business and industrial spectrum and to the clear disadvantage of others. We feel that one of the prime requisites facing the government in presentation of this legislation is to explain first and foremost to the House and to the people of Manitoba what it means by production machinery, what kinds of equipment and machinery it encompasses in the term "production equipment"; how far the application provided for in this section would go in covering industry in total in the Manitoba community. That's the first requirement on the Minister's part as we see it, Mr. Chairman.

The second is to explain satisfactorily the anomalies that we will point out in our assessment of this section of the bill and to explain and justify if possible the kind of discriminations that are contained in this section if it's applied as it appears to be worded. In the first place, Mr. Chairman, there is a noteworthy and serious discrimination it appears to us against small business and in favour of large business. The reason for this argument is that small businesses are much more inclined to use leasing procedures in order to meet capital requirements, in order to meet equipment needs than our large businesses who have the capital or the access to capital readily available to proceed on a purchase basis rather than a leasing basis. Many small businesses, many small business operations are simply not in a position to participate in meeting their capital needs and requirements on the level of outright purchase and they undertake the leasing process and apply that process in order to meet their needs in the capital field and the imposition of this kind of increase of taxation on the leasing of production machinery and equipment will, we submit, Sir, work a very serious disadvantage against the basic industrial entrepreneur in this society or any society, that is the small business operator. The small and medium sized business operator.

There's also a similar form of that discrimination that can be recognized where rapidly growing firms are concerned, because once again you are in a situation where there's likely to be a shortage of ready and available capital. Slow growth firms do not face the same kinds of immediate shortages of capital supply as rapidly growing firms do, so in the area of rapid growth, once again you're into a field in business and industry where the accepted and conventional procedure is to seek to meet your capital needs, your equipment needs through leasing arrangements, lease purchase arrangements, and once again this increase in taxation on leased production machinery works its heavy and serious and onerous effect.

Mr. Chairman, we are unhappy in the extreme with the feature of retroactivity contained in this legislation. Because of the retroactivity aspect of it the tax to be applied in the arrangements covered under (3) (16) will apply not only to the capital investment but to the interest, and it should be noted in that connection, Mr. Chairman, that all of us within industry and without, all of us in the community regardless of the sector of the community to which we belong have been faced in recent years with rapidly accelerating rates of interest, we've encountered extremely high interest rates and in that connection one must presume that the tax rates that will be applicable retroactively under this legislation will be extremely high. In fact, Sir, it's possible that in many cases they'll exceed the tax rate that would be applicable on direct purchase today because they will be pegged to interest rates that have been accelerating for the past decade to an extremely serious and burdensome level.

There's a further aspect or element of discrimination and a further anomaly involved, Mr. Chairman, when one looks at the procedure or the possibility of avoidance where this proposed tax and tax differential is concerned. For example, the obvious manner in which an industrial entrepreneur, or small business operator could avoid the burdensome nature of the

(MR. SHERMAN cont'd) . . . . tax and the tax differential would be to opt for a purchase arrangement instead of a lease and to do so by the use of such legal commercial instruments as conditional sales contracts, and/or chattel mortgages.

Well that's a legitimate procedure, Mr. Chairman, but it's disruptive and unconventional in terms of accepted and regular business practices so the consequence of that kind of method of avoidance would be to disrupt some of the existing business practices that prevail today. But if that is not a serious objection, and perhaps in the government's view it isn't, notwithstanding the fact that it is a legitimate objection, if it is not a serious objection, the major objection is this, Sir. That by applying that form of avoidance, a firm making a purchase after today, or after the date on which the legislation became effective, became law, the firm making a purchase after that date would be able to hold the tax rate to five percent while another firm which made a purchase a few months ago could face an effective tax rate in excess of 12 percent.

Mr. Chairman, there are a number of industries and operations that will be affected very disadvantageously by the application of this legislation, and one that will likely feel the consequences as heavily and as seriously as any, will be the field of printing and printing production where the use of photographic film equipment, negatives, plates, other forms of printing and production equipment are used.

It's our position, Mr. Chairman, that where we are talking about photographic film, negatives, production plates, printing plates, and that kind of equipment that is the basic equipment of the printing industry, there will be a form of double taxation result under this legislation. I would cite a hypothetical case for illustration, Mr. Chairman, and that is the case of a company that has printed a pamphlet or a booklet in Manitoba at the present time and sold it for example, on behalf of a farm manufacturer for, take the hypothetical sum of \$1,000. Well a tax today would be applicable on that amount, on that production exercise of five percent. That is because that's the existing rate of taxation and much of the equipment used in the production of that kind of material is exempt from the form of taxation contemplated in the legislation before us.

Under the new arrangement there will be an additional taxation of five percent of the cost of production, because the exemption on the cost of those production supplies will no longer exist.

Now it's true that in many cases, that sum might be fairly minimal. In the case that I have cited of the brochure printed for a farm equipment manufacturer for \$1,000, the tax under existing rates would be five percent, in other words \$50.00, and under the new legislation the increased taxation would amount to \$30, or \$31.50 to be exact, because there would be the five percent increase which would produce the additional \$30 and then there is five percent on the gross amount added above that, so you come up with an additional \$1.50, and the total tax on that production operation would then amount to \$81.50.

Well that may not seem particularly critical or serious in comparison to the overall size of the operation and to the \$1,000 price tag to the farm equipment manufacturer on the production and sale of that brochure, but the question then logically arises, Mr. Chairman, as to the worth of and the justification for the kinds of accounting procedures and bookkeeping procedures that the printer, that the producer is going to have to go through to account for the additional taxation he has to pay and to comply with the requirements of this legislation. For example, there is a deduction of the tax on production supplies allowed, according to the government, where the final product is sold outside Manitoba.

Let's say that our hypothetical brochure for the farm equipment manufacturer is sold outside of Manitoba. Well the additional tax to which I have referred, Mr. Chairman, can be avoided under the exemption allowed by the government because of the fact that that product is being sold and delivered outside Manitoba but the manufacturer, the operator, the printer in this case, has to go to considerable bookkeeping, accounting and legal effort and expense, we submit, Sir, in order to take advantage of that exemption, in order to capture it. For the sake of that \$30 that \$31.50, he has to employ and apply a cost accounting system, which is charged with the responsible bookkeeping procedures necessary to comply with the legislation and qualify for the exemption and he has to go to the expense and effort of providing a certified and verified audit of those accounts. In the end he qualifies for an exemption of \$31.50 but how much direct expense and how much indirect expense in terms of manpower, man hours of work, has he been put to, Mr. Chairman, in order to qualify for that exemption?

This is one of the anomalies and one of the discriminatory aspects of the legislation that



(MR. SHERMAN cont'd). . . . . has come to our attention in our perusal of the bill up to this point. There are others which will be cited by myself and my colleagues as the debate continues, but I would suggest, Mr. Chairman, that at this point in study of this particular section of the bill, we have made it clear to the Minister that we believe that the particular section of the legislation contains many weaknesses and shortcomings and requires a good deal of explanation and justification to this committee and to the people of Manitoba.

I repeat that we find it discriminatory, we find it burdensome for small business, which is the one area in terms of the health of the economy that should be protected from this kind of discrimination and this kind of burden. We find the inequities and anomalies, on the surface at least, to be confusing and before proceeding further with detailed or clinical examination of the legislation, we would welcome a response from the Minister on the basic criticism that we make in this vein.

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MR. CHAIRMAN: The Honourable Member for Thompson.

MR. BOROWSKI: Mr. Speaker, I have been listening to the speech very carefully from the Member from Fort Garry and I don't hear any names, I don't hear any specific examples. Earlier his colleague talked about we're going to kill the traffic in the Churchill air base by the tax on there, now he's saying there's going to be some inequities and anomalies and discrimination against small business. He doesn't care to tell us who these businesses are that are going to be affected by this peanut tax - and that's all it is, -- (Interjection) -- \$300,000 spread over Manitoba is peanuts, that's right. He keeps talking about this round and round without really coming out and saying what he has in his mind.

I think, Mr. Chairman, that it's pretty obvious what the gimmicks here is. They have decided in caucus to filibuster this bill, to filibuster this bill, to waste time making idiotic speeches and then they will come here on Monday and say, "look at what these Socialists are doing. They are bringing in more of that retroactive legislation."

MR. CHAIRMAN: The Honourable Member for Swan River.

MR. JAMES H. BILTON (Swan River): On a point of order, I believe the honourable gentleman did not intend what he said, when he said that there were idiotic speeches coming from this side of the House.

MR. BOROWSKI: Yes I meant it.

MR. BILTON: I believe that to be unparliamentary and it should be withdraw.

MR. BOROWSKI: Mr. Speaker, I meant it and I must say it was an understatement and the words used on the other side are much stronger. I don't know why the Member for Swan River is so sensitive. He should pay attention to what some of his members say before he gets up and asks for withdrawals.

There's many ways of imposing taxes, Mr. Chairman, but very few and very seldom can a government come up with an ingenious scheme like the Minister of Finance has come up with where in fact, half of the money will come from Ottawa. The cigarette and liquor tax, the taxpayers of Manitoba and the tourists that come here - and I understand that about two million last year came in - will be paying that tax.

MR. CHAIRMAN: Order, please. I would suggest to the honourable member that he refer to section (3) (16) which is the lease of production machinery.

MR. BOROWSKI: Mr. Chairman: I appreciate your admonition. I'm just trying to relate to the section here by indicating that this tax here that's being passed - and there's businessmen on the other side, they know very well that this tax is considered part of operations and when the income tax day comes along, you fill out your forms as a businessman and it's tax deductible. In other words, half of this thing will be paid by Ottawa.

I would like the members of the opposition to come up with another scheme where this government can pass a tax which will in the final analysis end up by Ottawa rebating half of it to the people who are paying it. The \$11 million of the production machinery, all of which is in this bill, is going to be affected the same way. Corporations as we all know pay 50 percent tax, so every dollar that we are getting here from the Manitobans will eventually cost them only half, because at income tax time half of that money will come back to these businessmen into Manitoba. I would like the opposition to come up with a scheme that will do what this bill is doing here.

MR. CHAIRMAN: Section 3 (16). The Honourable Member for Rhineland.

MR. FROESE: I hadn't intended to debate the matter but we are talking of leasing here and over the past number of years we have had an Air Policy Committee of this house where we were trying to induce air companies to . . .

MR. CHERNIACK: On a point of order. We are dealing now with production machinery, Section 3 (16).

MR. CHAIRMAN: Section 3 (16). The Honourable Member for Rhineland.

MR. FROESE: We are also dealing with the matter of leasing if I understand.

MR. CHAIRMAN: Leasing of production machinery. Order. The Honourable Member for Rhineland, on 3 (16). 3 (16) passed. The Honourable Member for Birtle-Russell.

MR. GRAHAM: Is the Minister of Finance going to answer some of the questions posed by the Member for Fort Garry?

MR. CHERNIACK: Mr. Chairman, the Member for Morris stood and the Member for Birtle-Russell stood; the Member for Roblin - is it Roblin? - stood, and I'm waiting to hear all the speakers.

MR. CHAIRMAN: The Honourable Member for Fort Garry.

MR. SHERMAN: That's perfectly acceptable and I thought that's what the Minister would be doing, Mr. Chairman. I would like to add one or two more questions in this connection now which would be directed to the Minister's colleague, the Honourable Member for Thompson on the basis of the elephantine intrusion which he just made into the debate, which seems to me to have been designed to trample and obscure more than to enlighten. The member, the former Minister was a businessman himself at one time, he may still be. I don't know how many small businessmen he knows who make the kinds of profit that he seems to fear they make. Many businesses today have an extremely difficult time making a profit at all, breaking even at all, in the face of the taxation difficulties that they carry.

Point No. 2, and this is a convenient smokescreen behind which this government seems to hide again, and again and again in terms of its fiscal approaches. He cites the fact that Ottawa is picking up or rebating half the cost, picking up half the cost where some of these programs are concerned. The all powerful, all knowing, continually replenished treasury in Ottawa is going to make it easy for Manitobans and Manitoba taxpayers because this is where half of the money is going to come from. Well who does he think is putting the money into that marvelous chest of treasure and resources in Ottawa? There is only one taxpayer, it doesn't really matter whether you are talking in terms of the Federal, Provincial or Municipal level, he and the rest of us, and to a far greater extent than us, the people throughout the Province of Manitoba are the taxpayers and the only taxpayers where Manitoba is concerned, even if some of that is coming back in terms of benefits from Ottawa.

MR. CHAIRMAN: The Honourable Member for Roblin.

MR. J. WALLY MCKENZIE (Roblin): Yes, Mr. Speaker, there are some things that I don't understand in this section of the bill and I'm wondering if it in fact, as the Honourable Member for Thompson has pointed out, does it affect the equipment that I lease in my store, does it affect the refrigerators, the cash registers, like the small businessmen of the province like myself that are leasing from time to time? -- (Interjection) -- No, no, but under this term and I'll cite my case to the Honourable Minister. If I pay cash for this equipment I pay the five percent tax, right. Now let me explain, supposing I take it on a seven year lease basis, what happens then?

MR. CHERNIACK: I hope you've been paying your tax all along.

MR. MCKENZIE: Well certainly, but supposing now we move into a lease basis. Will this apply to the terms of the contract where there's interest charges involved in the carrying of the lease?

MR. CHERNIACK: Well, Mr. Chairman, since it's a specific question I have to answer the member by saying that if he is now leasing a refrigerator in his store, he is consuming that refrigerator, I hope he's paying the tax on it. If he isn't, I think we should look into it. But I promise not to make a special case.

MR. SPEAKER: The Member for Brandon West.

MR. MCGILL: Mr. Chairman, with respect to 3 (16) I share the concern of my colleague from Fort Garry about the definition of production machinery. I'm not sure that I completely understand this definition and perhaps the Minister will be giving us more information on that. But I would like to talk for a minute on the subject of production machinery as it relates to northern Manitoba, and we haven't had anybody come out clearly and say what the impact here will be on the development in northern Manitoba. I am aware that just within the last day the Minister, the First Minister has been publicly stating his concern and making some appointments of additional people to guide this development which he hopes will take place. Well now, Mr. Chairman, I wonder if the architects of this legislation have been in touch with those people who have this great concern because it seems to me a major impact on production machinery is going to be felt in northern Manitoba.

Now one of the first items that occurs to me and I'm not even sure if it's on the list as production machinery, and that explosives. That's a pretty basic commodity in the north, and I'm wondering if it's within the envelope of production machinery here and is now going to receive the tax. There are not many operations in northern Manitoba that don't use in one form or another the explosives. Of course there's no doubt that mining machinery of all types will now be taxed, production machinery, and that any kind of new mine starting up that we would hope to develop is going to face an additional five percent cost there. This it would seem to me is not really an encouragement to development in northern Manitoba.

(MR. MCGILL Cont'd)

There are other items that must be of great concern to the government. One is that we have been insisting on both sides of the House that a greater, a greater amount of processing of primary materials from the north be achieved. We want to somehow or other get minerals as they're extracted from the ground and retained in Manitoba, and refined and shipped out in forms which provide more jobs for people in the north. We've talked about the new developments for Sherritt-Gordon; we've talked hopefully about a zinc refinery that Sherritt-Gordon might now be able to seriously consider in view of its Fox Lake operations and the upcoming Leaf Rapids production. Now we are engaged in an exercise that's going to add five percent to the cost of any calculations of the providing of a zinc refinery in northern Manitoba.

MR. CHERNIACK: Can we assume that the honourable member is now making the speech that he would otherwise make when he's dealing with Section 8 which deletes the exemption of production machinery, or can we assume that the latitude that you've been giving will continue and he will debate it now and again and again. Because we are now dealing with Section 3 (16)--the date, the effective date of the taxation on the leasing of production machinery.

MR. CHAIRMAN: I think the point is well taken. The Honourable Member for Brandon West.

MR. MCGILL: Well, Mr. Chairman, my remarks may not be of great interest to the Minister at this stage. If they are sufficiently well received they might have some impact upon the remarks that the Minister is going to give in reply in respect to those items that constitute production machinery, and I . . .

MR. CHERNIACK: Mr. Chairman, on the point of order, may I ask the honourable member if he and I can make a personal agreement that we will not be debating this again under another section?

MR. CHAIRMAN: The Honourable Member for Brandon West.

MR. MCGILL: Mr. Chairman, I would not in any way want to enter into an agreement with the Minister to limit those things which I feel can be said and should be said in respect to the Act that is now before us.

MR. CHERNIACK: Well then on the point of order, Mr. Chairman, may I ask you to confine honourable members to the section we're dealing with. I don't think we should be wandering around the same subject on every section.

MR. CHAIRMAN: Again, I would caution the members that subsequent to my ruling of yesterday and again this morning that they confine themselves to the section and the clause. Again I'll read it for the members' benefit: Rule 64 subsection (2) of our House rules: "Committee of the Whole, Committee of the Supply, Committee of Ways and Means. Speeches in Committee of the Whole House must be strictly relevant to the item or clause under discussion." The Honourable Member for Brandon West.

MR. MCGILL: Mr. Chairman, I'll return again then to my original statements in respect to the items which are classified as production machinery. I have some understanding about that. I have some other areas of doubt which I feel that the explanations of the Minister are most important. And those areas of doubt for me relate to a large extent to northern Manitoba because I know that this is the area in which production machinery and valuable production machinery is a basic part of the total economy of that part of the province. So, Mr. Speaker, I will reserve my further remarks for subsequent sections of this bill but I would appreciate the explanations that have been asked for from the Minister.

MR. CHAIRMAN: The Honourable Member for Sturgeon Creek.

MR. FRANK JOHNSTON (Sturgeon Creek): Mr. Chairman, I intend to stay strictly with this clause. Again, I'll remind you about the story of the mule, to get their attention we have to keep hitting this government with a two-by-four. Yesterday I had the occasion to be working with a gentleman who is a manufacturer or one of the principals that I represent. He was calling on many of the architects and engineers in this province, or in this city, and I'll tell you that right now these men are doing approximately -- as far as I can see or estimate from different comments I had about 80 percent government work in this province. They used to be on a 60-40 basis but now it's 80 percent government work, and I assure you this is an indication that no private people, you or I, are investing money in this province. And they don't intend to continue expanding their plants or building new plants with this type of legislation. As I read the Minister a letter from somebody in my constituency the other day that they just lost the hope of having business start up in this province because this type of legislation keeps

(MR. F. JOHNSTON Cont'd) . . . scaring people away. I don't know what the reasoning for it is.

MR. CHERNIACK: Mr. Chairman, I do intend to rise on a point of order whenever the members do wander off. The fact that the honourable member said he intended to stick to it doesn't mean that he did. This section deals with the transitional section which deals with the date on which leasing of production machinery becomes effective.

MR. CHAIRMAN: The point is well taken. The Honourable Member for Sturgeon Creek.

MR. F. JOHNSTON: Mr. Chairman, I accept the Minister's point; I accept your reason for questioning the clause that we're speaking of, and the Minister is very determined that we're talking about the date, and if we're not going to put the tax on on that date let's not talk about it then. But obviously the tax is going on on that date, and we're saying the tax shouldn't go on on that date on this machinery, if you want me to put it that way. Because if it goes on on that date, Mr. Chairman, we are still killing industry in this province.

Now, Mr. Chairman, it's just not feasible to really have the Minister say that we're talking about the date. We could talk about the date being last week or next month but the fact is on May 19 -- the first day of May, 1972, there's a tax goes on production machinery in this province that is going to harm industry and jobs in this province, and that's the point that this side is trying to make. Now if the Minister can get up and give an explanation as to why he doesn't think this will harm industry in this province; if it will not harm people getting jobs that the industry provides; if it won't harm the people in the north, the fact that it goes on the first day of May, 1972, I wish he could get up and say so. But he has done nothing to prove that it won't. He keeps saying that production is going up; he keeps saying the provincial product is going up; he's got all these estimates of everything going up. And every time you walk around the province and talk to people in the province, it's going down. Now who's right and who's wrong? Because certainly it's just amazing that you put a tax on on the first day of May, 1972 that will stop people from expanding or stop people from private investment in this province. It's a tax against jobs, and I wish the Minister would really come up and give us the reason for putting a tax on against jobs in this province. And I'd like the Minister of Labour to give us his reasons why he's letting him. Thank you.

MR. CHAIRMAN: The Honourable Member for Souris-Killarney.

MR. EARL McKELLAR (Souris-Killarney): Mr. Chairman, I'd just like to say a word on this particular section. I think this particular section involves everyone in Manitoba, indirectly or directly, and as the Member for Sturgeon Creek mentioned at a time when we need expansion in our Province of Manitoba the government are doing their very best to discourage it. And lo and behold, Mr. Chairman, we all hear so much about what we're doing in the rural parts of Manitoba, but if any particular section was going to hurt rural Manitoba I think this is the particular section that will hurt it. Leasing of any type of equipment is very common in these days, but the thing that disturbs me about this particular section is the retroactive feature and I think we've heard just a little too much about retroactive legislation at this particular session. And I think the Minister of Finance should take consideration into this very important matter. Why should I if I made a deal two years ago, three years ago or four years ago in good faith, be now taxed on a leased piece of machinery? I don't think that's right, Mr. Chairman, I don't think that's right at all. The Honourable Minister of Finance says that's correct, that this is right and proper. The Member for Thompson says it's right and proper. He also says you can be charged back. But, Mr. Chairman, how many businesses are losing money in this day and age in the Province of Manitoba? I'll bet you there's more businesses losing money in the Province of Manitoba this year than the businesses that are making a profit. And if you're losing -- (Interjection) --

Mr. Chairman, the Honourable Member for Inkster is a great distractor. I've been around here long enough to hear his little bit of annoyance here. He's always trying to get me off the subject and I won't be distracted, Mr. Chairman. And we are being accused of delay-ing debate. The honourable member is just trying to delay debate right now.

Mr. Chairman, Mr. Chairman, the Honourable Member for Thompson made a great speech here this morning, made a great speech, one of the finest, one of the finest. First he lectured us, then he lectured the businessmen in the Province of Manitoba, he lectured the businessmen and just told them how easy they could get their money back, half of it would be paid by the Federal Government. The Honourable Member for Fort Garry said, "Who is the Federal Government?" I know who the Federal Government is, 57 of us in this Chamber plus

(MR. McKELLAR Cont'd) . . . another million people in Manitoba, plus another 18 or 19 million in Canada. They are the Federal Government, they are the Federal Government. Mr. Chairman, you weren't around here but I remember a few great days in the history of the Province of Manitoba. I remember them so well, Mr. Chairman, and what was the particular instance? I want to relate it. I want to relate this particular instance. A particular tax was imposed in the Province of Manitoba, a particular tax. And lo and behold who protested the paying of this tax or collecting of this tax? The Honourable Member for Thompson. He laid on the doorstep -- and my God, what a difference a year makes!

MR. CHAIRMAN: Order, please. Order. Order. Order. I would suggest to the honourable member that he confine himself to 3 (16). The Honourable Member for Souris-Killarney.

MR. McKELLAR: Well, Mr. Chairman, you didn't stop the Honourable Member for Thompson relating all that trash he was trying to behold and accusing us, accusing me as a . . .

MR. CHAIRMAN: Order, please. I do not wish to debate with the member. If he wishes to challenge my ruling he knows the procedure that he can go through. I did caution and call the Member for Thompson to order. The Honourable Member for Souris-Killarney.

MR. McKELLAR: Well, I'll finish that speech at a later date. Maybe not on this bill, but I'm going to get that speech in. My memory never fails me -- 14 years, I remember every day that happened in this Legislature.

Mr. Speaker, who is the biggest businessman in the Province of Manitoba? The government. Who is the computer business? Who is in the computer business in the Province of Manitoba? The computer is one of the biggest businesses. Who is doing custom work in the computer business in the Province of Manitoba? The government. They bought a big computer this year. Did they lease it or did they buy it? They didn't lease it, no, because they bought it, they're not going to pay this tax. But just think of the people that own computers in the Province of Manitoba, that lease computers, who are trying to compete with that great socialist government across here. They're going to have to pay the tax on their computers even though their contracts were signed four or five years ago. Now they have to compete with the government of the day. Mr. Chairman, the retroactive feature of this legislation is wrong. It's wrong for many reasons and the sooner the government of the day learns that you cannot impose tax on people on a retroactive basis the better it will be for all concerned in the Province of Manitoba.

MR. CHAIRMAN: Section 3 (16) . . . the Honourable Member for Birtle-Russell.

MR. GRAHAM: Thank you, Mr. Chairman. What I have to contribute in this at this time, Mr. Chairman, is rather specific in its nature because I am a little doubtful in my own mind about how the Minister intends to interpret leases and I would like to ask the Minister -- he's listening now -- I would like to ask the Minister if an individual or a corporation leased a factory complete with production equipment in it but the terms of their lease specified only factory and contents, would the company or corporation or whoever it was was involved, would they have to pay the tax on the equipment inside, and who would do the appraisal or the evaluation of the equipment in that factory? I would appreciate the Minister's answer on a question like that.

MR. CHAIRMAN: Section 3 (16) . . . the Honourable Member for Birtle-Russell.

MR. GRAHAM. Mr. Chairman, I think it is rather important that I get the answer to that because the remainder of my remarks would be contingent on the answer that the Minister gives me in that regard.

MR. CHAIRMAN: Section 3 (16) . . . the Honourable Member for Morris.

MR. WARNER H. JORGENSEN (Morris): Mr. Chairman, I think that we should get some replies to the questions that have been asked on this side of the House from the Minister. He has indicated that he is prepared to do that and before that section, before we intend to allow that section to carry, Sir, I want to hear the Minister reply to the questions that have been raised.

MR. CHERNIACK: I am quite prepared to respond to the points that were made. I want to make sure that all honourable members have their opportunity to speak on it and I want to make sure that I don't interrupt or interfere with anybody else's wishes to speak. Now if there's no one else that wishes to speak at this stage then I'm quite prepared to do so.

MR CHAIRMAN: The Honourable Minister of Finance.

MR. CHERNIACK: All right, Mr. Chairman. I'll deal first with the points made by the Honourable Member for Fort Garry. Frankly, I don't know whom he's kidding about this question of leasing or whom the Leader of the Opposition is trying to kid on a question of leasing. I find it difficult, as did the previous government, in being able to make any substantial distinctions between taxation on leasing or taxation on purchasing. They are both methods in which property is acquired and used and consumed and under both cases, just as in the case of the previous government, rentals were included in taxation. So let's get that absolutely clear. Of course I don't say I'm right because the previous government did it because the previous government did many things with which I would disagree. But I have to point out that leasing was provided for in the existing Act brought in by the previous government, and there's nothing new about the concept. The only thing that makes sense in discussing is a decision to remove an exemption which was granted by the previous government. That's really what we're talking about and I don't think honourable members on the opposite side would want to sidetrack the main issue. Are we right or are we wrong in removing an exemption granted by the previous government? It seems to me that's the essence of it.

As far as I know, leases include whatever costs are imputed to the cost of leasing. And if it's interest then it's interest. If the lease is drawn for an amount plus an additional cost for let's say insurance, then the insurance isn't being taxed. But, Mr. Chairman, let me tell you that I still believe in spite of what was said, that leasing is done under one of two circumstances. One is a shortage of capital in which case you rent another man's money - in this case money translated into equipment - and you pay him the cost of using his money in that sense, which is also something that could be done if money is borrowed from a bank and paid to the bank or on the market in any way and that becomes a cost. Now it's one way or the other, it is nevertheless either a leasing charge or a charge on the purchase.

May I tell you that I had an experience of investigating a leasing arrangement which was proposed to me when I was in the practice of law where I took apart the costs involved and I calculated that the only way in which I could benefit from a leasing arrangement other than a purchase was if I was in the 50 percent income tax bracket, and I wasn't. I was then in the 30 to 35 percent income tax bracket. It didn't pay me, even at that bracket which is a high bracket, it didn't pay me to lease, I was better off to purchase and finance the purchase, and the whole purpose of leasing in that concept was indeed the opportunity to charge it off as an expense against operations and therefore deductible from tax payable. Now even to the extent where I was advised by an accountant to set up a dummy company which would purchase equipment and then lease it to my own company so that there would be more tax avoidance possible. And that's done. So dealing with this leasing I say to you, Mr. Chairman, we have to agree that leasing is like purchasing and the difference is the legal content and that's why it's included, just as it was by the previous government in theirs.

The Honourable Member for Fort Garry had some idea about avoidance by entering into a sales contract and then suggesting that no tax will be paid. I must tell him that the legislation as drawn by the government of which he was a supporter took care of sales contracts and they were taxable then and would be taxable now. The only avoidance would be in relation to the extra loaded-on charges involved in a rental.

Now may I read to him Section 3, subsection (3) of the former Act - I should say the existing Act, which reads as follows: "For the purposes of subsection (2) where the tangible personal property is the subject of a lease, the tax is payable on the rental payable from time to time for the use of the property leased and shall be paid at the time each payment of the rental is due." Mr. Chairman, what are we doing differently than the previous government did when they introduced their sales tax, except in this case we have to make sure that we cover this point because it had been exempted in the specific and therefore it is the advice of the Legislative Counsel that it should be specifically defined and set out in proposed Section 3 (16) which is the subject matter before us. To take care of an effective date on what was previously tax exempt, it is deemed necessary - some lawyers might say it's not necessary, you would have been covered under subsection 3 of (3) but the Legislative Counsel felt that it was advisable to make clear that a previously exempt item is no longer exempt.

The Member for Brandon West asked for the definition of production machinery. I have to point out to him that Section 4 (3) of the existing Act describes the exemption for production machinery, describes what is production machinery in the present Act and I am advised - and

MR. CHERNIACK, (cont'd.) . . . . I checked it superficially it appears correct - that these are the same words that are being used in order to make it clear. I think the honourable member also asked whether explosives are taxable. The answer is, yes; they are consumed and they are taxable.

The Member for Sturgeon Creek said how do you justify this. I have to respond by saying that there are other provinces that have had the tax for quite some time, there's absolutely no indication that this is a tax of any substance which is a deterrent for industry at all. We believe it is not, there's obviously a difference of opinion, and I say that there's nothing to indicate that it has been a deterrent in the other provinces which have been taxing production machinery. I made the point and make it again, that in Ontario where they brought in a special income tax rebate or credit on the use of production machinery, it was found that their estimate of \$130 million loss in revenue turned -- \$125 million -- turned out to be \$30 million, which is clearly to me an indication that it was not a stimulus in Ontario.

The Member for Souris-Killarney made a speech which I didn't quite follow but it was also because it was out of order but I would have to remind him he's talking about the rural element of Manitoba, that there is no intention to remove Section 4 (1)(i) which exempts farm implements, farm machinery, repair parts as defined in regulations, etc., and whether they are leased or whether they are purchased, is they are still exempt.

The Member for Birtle-Russell asked a question about the leasing of a factory. The tax would be payable on the production machinery involved in the total rental payable not on the building and that would be a matter for assessment and negotiation.

MR. CHAIRMAN: The Honourable Member for Birtle-Russell.

MR. GRAHAM: Mr. Chairman, pursuant to the answer that I got from the Minister, he said it would be a matter of negotiation in the arrival at the estimate of the cost of the production machinery when the lease is just for the building and the contents.

Now under the Municipal Act, Sir, when a property owner appeals the assessment of tax assessed against his property there are very well laid down methods in which he can take his appeal and in this particular case I would ask the Minister what steps are available to a person to appeal an assessment - which I presume would be made by government, I'm not too sure.

MR. CHAIRMAN: The Honourable Minister of Finance.

MR. CHERNIACK: The lessee would have an opportunity to, when I said negotiate, to negotiate with the lessor to divide up the rental in such a way that it becomes clear just what is being leased which is taxable and that which is not.

Secondly, I must say that I am now following the Act which we are now administering which was brought in by a previous government and the provisions there would apply to the questions that are raised. As I understand it, the Minister has the right, has the duty, to value, estimate, what is the fair value. I think that comes under Section 16, subsection (2) which is in the present Act. I believe also that in cases where the estimate is not one which is accepted then there are certain rights as to whether the Minister is going beyond his discretion. I can only say we are not making any change in the legislation that now exists in relation to methods of assessment or enforcement; no change is being proposed there at all. So whatever was the system or is the system as of today and has been for the last number of years, will continue.

MR. CHAIRMAN: The Honourable Member for Birtle-Russell.

MR. GRAHAM: Would the Minister then consider the possibility of providing well laid rules and procedures to answer the question of the dissatisfied lessee where the Minister has arbitrarily set a figure which the person does not consider to be fair?

MR. CHERNIACK: Mr. Chairman, I've been Minister of Finance for almost three years, in which time I have never had a complaint of any bad or unfair regulation or action in connection with enforcement. It has never been brought to my attention that the Act and the regulations under the Act which were passed by the previous administration have been unfairly administered, and therefore I've never had occasion to consider the question which the Honourable Member from Birtle-Russell now raises. If, however, he is right in assuming that there is something unfair in the previous legislation or regulations passed by the previous government, I'd be only too happy to review them with him and see whether there is some element there which should be corrected.

MR. CHAIRMAN: The Honourable Member for Birtle-Russell.

MR. GRAHAM: No, Mr. Chairman, I was not referring to that at all. Rather I was



MR. GRAHAM, (cont'd.) . . . . referring to probably the fact that there may be something unfair in this legislation and the fact that the Minister has set a date here where there's suddenly going to be taxation on something that was previously exempt. And it may not be new equipment, it could have equipment that was 10 years old, who knows. Let's take, for example, a factory that is approximately book-value worth \$3 1/2 million or 2 1/2 million dollars, for example sake we'll take an average and say \$3 million. Now certainly some of that will be involved in building costs, some of it will be production machinery which was previously exempt and now is suddenly taxable. Whether it be under a lease basis or a purchase basis, it's going to be taxable anyway and I would wonder what position or whether this will be advantageous for government say in their negotiations in trying to sell Columbia Forest Products, for example, which was previously exempt from taxation and now under the MDC is up for grabs, more or less, and is now trying to be sold and whether people are going to argue about what the value is placed on the production machinery as against the building, and I'm sure that there will be many arguments in that respect. I was wondering what position this will put the government in or whether in fact it may jeopardize the chance of the government to proceed with plans to get the Columbia Forest Products thing back in operation and producing so that people in the constituency of the Member for Emerson are in fact working again and will not be on the roles of the unemployed in this province.

MR. CHAIRMAN: The Honourable Minister of Finance.

MR. CHERNIACK: Mr. Chairman, if Great Northern Capital, if that's the name of it, wishes to sell Columbia Forest Products then it has to find a willing buyer who will pay the price that the willing seller is prepared to accept. I've participated in many transactions involving negotiation as to evaluation of various portions of property being sold. Anybody who knows anything about income taxation knows that the values set on various items which have a difference depreciation rate are usually part of the negotiations and values are set on each of the items in the light of what is known as to the actual value and what is the most advantageous position of a taxpayer in accordance with what he knows of existing law and that will continue. The member seemed to make no distinction between leasing and purchasing. I assure him that if it's a purchase and a sale then there's no problem, then it can be clearly established in the light of the tax law.

But we are now dealing, may I remind him, with a section involving the leasing of production machinery and the effective date, so that can't possibly have anything to do with Columbia Forest Products or anything to be done in the future. What it does is confirm the pattern set under present legislation passed a number of years back by this Legislature to tie in the effective date for leasing. I don't know how many times I have to say it, Mr. Chairman.

MR. CHAIRMAN: The Honourable Leader of the Opposition.

MR. SPIVAK: On this - Oh, question of the Minister. Will the government if it is the consumer, if it is the purchasing of the goods, will the government be paying the production tax?

MR. CHERNIACK: Mr. Chairman, I know that the Honourable Leader of the Opposition is not necessarily that familiar with the Act which he and we passed. Section 27 of the original Act reads: "Her Majesty in the right of Manitoba is bound by this Act", Mr. Chairman, I again repeat, we are, I thought dealing with Section 3 (16) which deals with the effective date of a leasing operation, and if a government is leasing any equipment which is production machinery then as of May 1st, according to my interpretation of the law, Section 27 applies.

I didn't respond actually to the appeal right that the member spoke of. I am informed - well it's in the Act - that within 60 days of formal notice of assessment made by the department, the taxpayer may appeal to the Minister, the Minister may vary, rescind or uphold the original amount assessed and subsequent action is then available to the taxpayer through a court of competent jurisdiction all the way up the line.

MR. CHAIRMAN: The Honourable Member for Fort Garry.

MR. SHERMAN: I just want to ask one question and I don't wish to take up the time of the committee. I wish to apologize to the Minister for being out when he answered my questions. I got called out to the phone. I just want to ask him whether he dealt with the subject of avoidance, the question of avoidance which I mentioned in my remarks, and if so, I'll have to read about it in his remarks.

MR. CHAIRMAN: The Honourable Minister of Finance.

MR. CHERNIACK: Well I believe I did - I really don't understand just how the member

MR. CHERNIACK, (cont'd.) . . . . . talked about avoidance. He said that instead of a rental it could be turned into a sales contract and I would say that when it is turned into a sales contract then there is a tax payable on the sale price and there is no avoidance.

MR. SHERMAN: Mr. Chairman, there is a tax payable on the sale price but it's at the old rate. Is that not correct? Because it's a sale, - it's a purchase, - it's not a lease, no longer a lease.

MR. CHERNIACK: It is effective as of the date of May 1, that if a sale is made after May 1, it is taxed.

May I say the same applies when we are dealing with lease, that where there is a lease option and at the end of the lease, as usually happens, and which supports my contention that most leases are for tax adjustment purposes; that there is an option at the end where you can buy it for what is it, a dollar or some nominal amount - at that stage there'll be a tax payable on it.

MR. CHAIRMAN: The Honourable Member for Rhineland.

MR. FROESE: Mr. Speaker, I haven't had too much to say in connection with the item before us, but I have some difficulty in reconciling the exemption clause under 4 (3) of the Act with what we are discussing here at the present time. In case a government district -- the Public Works Department hires the services done from a municipality, what is the case in this respect? Is there, is the tax applicable here when they are leasing -- when it's a matter of building roads?

MR. SPEAKER: The Honourable Minister of Finance.

MR. CHERNIACK: Mr. Chairman, I guess I should have pointed out that when I described section 4 (3) of the Act, it was an exemption provision. That is being repealed, and we are now describing that which is taxable because of the repeal of the exemption. So that we are really throughout this Act dealing with bringing into taxable area that which was exempt.

MR. CHAIRMAN: The Honourable Member for Brandon West.

MR. MCGILL: Mr. Chairman, the Minister did make reference to my question regarding the definition of productive machinery and I understood him to say that explosives used in the industry, particularly the mining industry, were taxable under the present Act and were not -- but they are exempt as production machinery under the Act at the present time. Is that the . . . . . ?

MR. CHERNIACK: I am looking up to see. Section 4 (l) (y) of the present Act provides that "tangible personal property declared in the regulations to be catalysts or to. . ." That's the wrong one. (z) which is being repealed: "Tangible personal property consumed or expended directly in the production of tangible personal property for sale" - now this was exempt and will be no longer exempt under this change.

MR. MCGILL: Mr. Chairman, I'd like to thank the Minister. Now we know that the exemption is removed on explosives in the industry. One other category, one other category we are discussing, the definition of production machinery here -- and I am wondering if the Minister has given any consideration, or his department has given any consideration in this whole exercise, to pollution abatement equipment. Is there any kind of exemption which will continue to apply to pollution abatement equipment when it is bought by the industry for purposes . . . .

MR. CHERNIACK: Mr. Chairman, this is indeed a different matter, and we have been considering it, and we are looking into the question of how to properly describe it, whether or not it is government policy to carry that out. The answer is at this stage, "no".

MR. MCGILL: Mr. Chairman, I take then that it is to be taxed as the Act is presently constituted.

MR. CHERNIACK: Pollution equipment as such should have been taxed up to now I believe, if it was not involved in the production of tangible personal property for sale. But if it forms part of the equipment which is producing, which is producing goods that are going to be for sale -- that it will be taxed until we are able to carry on an overall review on that question.

MR. MCGILL: Mr. Chairman, then I'm thinking in a specific way, could we consider pollution abatement equipment as it would apply to a smelter? It is part -- in my view, or at least I would ask for a legal view -- of the total productive machinery of that smelter and a very desirable part of it I would think. Now under the present Act, is it taxable or not?

MR. CHERNIACK: If it is part of the production process it is not taxed and will be taxed.

MR. CHERNIACK, (cont'd.) . . . . There are various ways you tackle the problems of pollution. One is to give a gift to the industry which is a pollutant in order to entice it into bringing in pollution control devices; another way is by legislation forcing them to do it; another way is to provide it to them, I suppose, free of all cost. But the policy has not been determined on that and therefore it's to the extent that it forms part of the consumption of the production machinery it will be taxable.

MR. MCGILL: A final word then. I understood the Minister to say that he was considering a possible exemption under the new regulations for abatement equipment?

MR. CHERNIACK: I am saying that we are considering the entire policy related to pollution control. I am not sure how this relates to the rental of production machinery and the effective date thereof, Mr. Chairman.

MR. CHAIRMAN: The Honourable Member for Birtle-Russell.

MR. GRAHAM: Mr. Chairman, I want to come back again to the leasing of production machinery and the possible effect that may arise when we find government - one arm of government supposedly owning the production machinery and attempting to lease it to an operator, and another arm of government assessing the value of the production equipment that would be involved in that lease and the evaluation of it for taxation purposes. In essence, Sir, according to the information we received from the Minister, the appeal against the assessment again goes back to the Minister or to some court of suitable -- I forget the correct word -- (Interjection) - Pardon? Some court of competent jurisdiction. It could be the Court of Queen's Bench; it could be a Court of Appeal; it could even go to the Supreme Court I imagine, could it? I am not too sure, but in other areas of assessment, assessment for taxation purposes, it is my understanding Sir, and I'm not a lawyer, but the rules are very clearly spelled out . . .

MR. CHAIRMAN: Order please. The Honourable Member for Thompson.

MR. BOROWSKI: Mr. Chairman I believe there is a rule against repetition. The member is going through the same cabbage he went through about ten minutes ago.

MR. CHAIRMAN: The Honourable Member for Brandon West. . .

MR. GRAHAM: Mr. Chairman, on a point of order, I was not referring at all to the constituency that the Member for Thompson represents, or did I actually refer to the Member for Thompson. I was referring, Sir, to the court and the very lack or the vagueness of the fact that there is no laid out line of appeal. And when people start dealing with leases which involve one arm of government as against another arm of government, there is a very sound basis for suspicion and concern on the part of the person; and I feel, Sir, that in the specific case that I mentioned it may very well jeopardize the actions of government in trying to bring the Columbia Forest Products into production and keep the people in work.

MR. CHAIRMAN: Order please. I think the Honourable Member has already made that statement with respect to Columbia Forest Products. We are not dealing with Columbia Forest Products, we are dealing with the lease of production machinery. I would caution the member to confine his remarks to (3) (16) of clause 4. The Honourable Member from Birtle-Russell.

MR. CHERNIACK: Mr. Chairman -- oh I'm sorry. I thought he -- is it okay?

MR. CHAIRMAN: The Honourable Minister of Finance.

MR. CHERNIACK: Mr. Chairman, if the government has entered into a leasing arrangement such as the member refers to then it becomes effective May 1st, the government - do I have to repeat that the government is subject to taxation. I am not sure if the honourable member is proposing that we should delete the reference, making the government subject to taxation; if he is, he hasn't said so, but he seems to be talking along that line. I know that we are coming to the end of the morning period. I want to refer and do a little homework for the honourable member, to point out to him Section 18 provides that a person may appeal within 60 days of receipt of assessment under Section 16 or 17 by serving a Notice of Appeal upon the Minister. Under subsection (3) the Minister shall duly consider the matter, shall affirm, rescind or amend the estimate or the assessment. And 19 (1), where a person is dissatisfied with a decision of the Minister given under Section 18 he may appeal therefrom by application to a court of competent jurisdiction.

I don't know what else I have to do to do the gentleman's homework for him, but it's in the Act, and we are not proposing any change from the previous legislation.

MR. CHAIRMAN: The hour being 12:30 I am leaving the chair to return at 2:30 this afternoon.